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ABSTRACT

Errors made on applications to the Basic Educational Opportunity Grant (BEOG) program were studied to determine the scope and nature of misreporting and misuse of the BEOG program. Characteristics of applicants who misreport personal and/or family financial circumstances were identified, and procedures were established to regularly screen and correct erroneous applications. In 1975, educational institutions referred to the U.S. Office of Education applications containing discrepancies in reported information. Attention was directed to reasons for institution referrals, the prevalence of confirmed errors on Student Eligibility Reports (SER), applicant characteristics associated with SER errors, and characteristics of schools sending referrals. Another study investigated a random sample of 1,383 applicants who were selected based on 1974-1975 and 1975-1976 applications that were believed to entail errors on Student Eligibility Reports (SERs). The "high risk" applicants were selected according to specific criteria, including very low adjusted gross income, and submitting SER corrections resulting in substantially reduced eligibility indices. Aspects of the validation process that should be retained, replaced, or modified were also evaluated, with attention to the number of transactions required to resolve a referral and the effectiveness of efforts to obtain additional information on applicants. (SW)

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VALIDATION OF STUDENT AND PARENT REPORT DATA ON THE BASIC GRANT APPLICATION FORM

FINAL REPORT

VOLUME I- INDIVIDUAL VALIDATION STUDIES

Institution Referral Study
Pre-Established Criteria Study

January 7, 1977

Prepared for:

Division of Basic and State Student Grants
Office of Education
Department of Health, Education, and Welfare

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TABLE OF CONTENTS

Chapter Title Page

1 INTRODUCTION. 1.1

2 INDIVIDUAL VALIDATION FINDINGS: INSTITUTION REFERRAL STUDY. 2.1

- 2.1: STUDY OVERVIEW 2.1
- 2.2: VALIDATION METHODOLOGY 2.2
- 2.3: INSTITUTION REFERRAL STUDY RESULTS . . . 2.6
  - 2.3.1: Approach to Data Analysis. . . . 2.6
  - 2.3.2: Institution Participation. . . . 2.10
  - 2.3.3: Individual Case Statistics . . . 2.12
  - 2.3.4: Institution Statistics 2.38

3 PRE-ESTABLISHED CRITERIA STUDY. 3.1

- 3.1: STUDY OVERVIEW 3.1
- 3.2: VALIDATION METHODOLOGY 3.2
- 3.3: PRE-ESTABLISHED CRITERIA STUDY RESULTS 3.8
  - 3.3.1: Approach to Data Analysis. . . . 3.8
  - 3.3.2: Modes of Case Resolution 3.14
  - 3.3.3: Basic Individual Case Data . . . 3.26
  - 3.3.4: Institution Statistics 3.35
  - 3.3.5: Chapter Summary. 3.43

APPENDIX 3A - Strata Scmple Counts for the Pre-established Selection Criteria

4 ANALYSIS OF INDIVIDUAL VALIDATION PROCEDURES. 4.1

- 4.1: INTRODUCTION. 4.1
- 4.2: REVIEW METHODOLOGY. 4.2
- 4.3: INSTITUTION REFERRAL PROCEDURES 4.5
- 4.4: PRE-ESTABLISHED CRITERIA STUDY PROCEDURE PROCEDURES 4.16

LIST OF TABLES

Table	Title	Page
2.1	Distribution of Reported Discrepancies	2.13
2.2	Aggregated Distribution of Reported Discrepancy Types, Resolved Cases	2.15
2.3	Aggregated Distribution of Total Resolved Referrals and Total Valid Referrals, by Discrepancy Type	2.16
2.4	Distribution of Confirmed SER Discrepancies	2.18
2.5	Aggregated Distribution of Confirmed SER Discrepancies	2.20
2.6	Mode of Case Resolution, by Aggregated Reported Discrepancy Types	2.25
2.7	Distribution of Student Eligibility Index (SEI) Changes Resulting from Corrected SERs	2.28
2.8	Average SEI Change by Reported Discrepancy Type	2.29
2.9	Distribution of Dependent and Independent Applicants by Reported Discrepancy Type	2.31
2.10	Confirmed Discrepancy Ratio for Dependent and Independent Students by Reported Discrepancy Type	2.33
2.11	Distribution of Actual Application Discrepancies by Income Level	2.36
2.12	Distribution of Reported SER Discrepancies by Type of Institution Control	2.39
2.13	Distribution of Reported SER Discrepancies by Institution Enrollments	2.41
2.14	Distribution of Actual SER Discrepancies by Type of Institution Control	2.43
2.15	Distribution of Actual SER Discrepancies by Institution Enrollments	2.44
2.16	Distribution of Documentation Used to Support Case Referrals by Type of Institution Control	2.46
2.17	Distribution of Documentation Used to Support Case Referrals by Institutional Enrollments	2.49
3.1	Mode of Case Resolution by Sampling Criterion Groups	3.14
3.2	Incidence of Actual SER Discrepancies by Aggregated Sampling Criteria	3.16
3.3	Distribution of Discrepancy Types by Aggregated Sampling Criteria	3.17

LIST OF TABLES (Continued)

Table	Title	Page
3.4	Distribution of SER Discrepancies by Dependency Status	3.26
3.5	Distribution of SEI Changes Pre-Established Criteria Study	3.28
3.6	Distribution of Key Categories of SEI Changes by Aggregated Sampling Criteria	3.29
3.7	Mean SEI Changes by Aggregated Sampling Criteria	3.30
3.8	Mean Data Changes on Student Eligibility Reports	3.32
3.9	Incidence of SER Errors by Type of Institution Control	3.35
3.10	Distribution of Types of SER Discrepancies by Type of Institution Control	3.36
3.11	Incidence of SER Errors by Type of Institution Control	3.39
3.12	Distribution of Types of SER Discrepancies by Type of Institution Control	3.40
4.1	Distribution of Initial and Follow-Up Requests for Information by Categories of Reported Discrepancy Types	4.6
4.2	Distribution of First Responses by Reported Discrepancy Types	4.9
4.3	Distribution of Second Responses by Reported Discrepancy Types	4.11
4.4	Mean Number of Applicant/Parent Transactions by Discrepancy Type	
4.5	Mean Number of Institution Transactions by Reported Discrepancy Type	4.14
4.6	Distribution of Initial and Follow-Up Requests for Information by Aggregated Sampling Criteria	4.17
4.7	Distribution of First Responses by Aggregated Sampling Criteria	4.20
4.8	Distribution of Second Responses by Aggregated Sampling Criteria	4.22
4.9	Distribution of Third Responses by Aggregated Sampling Criteria	4.24
4.10	Mean Number of Parent/Applicant Transactions by Aggregated Sampling Criteria	4.29

BASIC GRANT VALIDATION STUDY: INDIVIDUAL VALIDATION STUDIES

1

INTRODUCTION

The Individual Validation Studies include the Institution Referral and Pre-established Criteria components of the Basic Grant Validation Study. The distinguishing feature of this aspect of the Validation Study was that an effort was made to identify specific Basic Grant applications whose Student Eligibility Reports (SER) contained questionable personal or financial information and to request that applicants furnish supporting documentation for the information in question. In the Institution Referral Study, applicants were referred to the Office of Education by participating BEOG institutions, while in the Pre-established Criteria Study applicants were randomly selected according to criteria which were believed *a priori* to define questionable SERs. Because of this difference in selection procedures, applicants in the Institution Referral Study were subjected to a slightly different validation process than those applicants included in the Pre-established Criteria Study. These differences are discussed more fully in a later section of this report, but essentially these procedural differences reflected the degree to which it was apparent that errors existed in the applicants' SER. For Institution Referral cases, expectation of error was generally much stronger than for Pre-established Criteria cases.

Despite the different approach to validation utilized in these two studies, their purpose remains consistent with those of the overall study effort:

- To determine the degree of actual and potential program abuse;
- To identify the characteristics of applicants who misreport personal and/or family financial circumstances;
- To establish procedures to regularly screen and correct erroneous applications.

The results of these two studies are presented in the following chapters. Each study is discussed separately beginning with an introduction to the study itself, a brief overview of the validation methodologies employed, and a presentation of study findings. A separate chapter assesses the effectiveness of the methodologies used to conduct these individual validations.

2

INDIVIDUAL VALIDATION FINDINGS: INSTITUTION REFERRAL STUDY

2.1: STUDY OVERVIEW

Basic Grant program regulations require institutions to report to the Office of Education any discrepancies detected on Student Eligibility Reports (SER) which cannot be resolved by the institution's financial aid personnel. The Institution Referral Study was implemented to provide a system by which reported discrepancies could be reviewed and processed by the Office of Education. Concurrent with efforts to process reported discrepancies, the study was also designed to evaluate this review system in order to identify modifications and/or alternatives that would result in a more expeditious disposition of reported discrepancies.

The study was initiated in August, 1975 when one of the periodic Office of Education "Dear Colleague" letters was sent to participating BEOG institutions outlining the procedures by which discrepancies should be reported. Financial aid personnel were instructed to report only those cases for which they had documentation to support the likelihood of an SER discrepancy. Documentation considered to be acceptable for establishing the possibility of an SER discrepancy included:

- Federal tax returns (Form 1040, 1040A)
- State tax returns
- ETS Parent Confidential Statement

- ACT Financial Need Statement
- Other financial need statements
- Other formal documents (afficavit of non-support, Veteran's Benefit Statement, Social Security Benefit Statement, high school transcripts, etc.)

The only exception to the requirement of supporting documentation occurred in those circumstances in which applicants reported no or exceptionally low incomes on the SER.

In addition to the general requirement for supporting documentation, financial aid officers were asked to report cases only after efforts to resolve the apparent discrepancy proved unsuccessful. This request was made to ensure that students were given a reasonable opportunity to explain an apparent error before the validation contractor initiated further validation procedures.

When a case was received by the validation contractor, it was reviewed to determine if the circumstances of the case required further validation and follow-up actions. If certain information was lacking, the referring institution was contacted to obtain the additional information and/or clarification. Again, every reasonable attempt was made to pursue those applications that clearly merited special attention and to ensure that no students were unnecessarily subjected to the validation process.

If, after careful consideration, it was determined that the SER in question contained clearly documented discrepancies, the validation contractor initiated procedures to have the applicant explain or correct this discrepancy.

2.2: VALIDATION METHODOLOGY

Each applicant whose SER was deemed appropriate for validation follow-up was sent a letter from the Office of Education stating the nature of the reported discrepancy. The letter was sent to the applicants' parents in the case of dependent students and to the applicant him/herself in the case of independent students. The addressee was asked to review carefully his/her SER and to correct it in accordance with instructions provided in the letter.

If after reviewing the SER the addressee felt that the original information was correct, the letter requested that documentation supporting this assertion be forwarded to the Office of Education. The requested documentation varied depending upon the nature of the reported discrepancy, but generally the addressee was asked to provide notarized copies of his/her federal income tax forms (Form 1040 or 1040A) and the appropriate wage and tax statements (Form W-2). Under special circumstances, the following forms were requested in place of or in addition to wage and tax information:

- Social Security Form #2458
- VA Form #8332A-2
- Benefits Statement from local public assistance offices

If the addressee did not have an income reportable to the Internal Revenue Service and did not have reasonable access to formal documents to indicate amounts and sources of this income, the addressee was permitted to supply a notarized statement that indicated his/her financial information. This procedure was utilized only if special circumstances made it impossible or extremely difficult for the addressee to comply with the documentation requests.

At the time this initial letter was sent to the applicant or his/her parents, another letter was sent to the referring institution indicating that validation follow-up had been initiated relative to a particular student and that the institution should withhold further BEOG disbursements to this individual until further notice from the Office of Education.1/

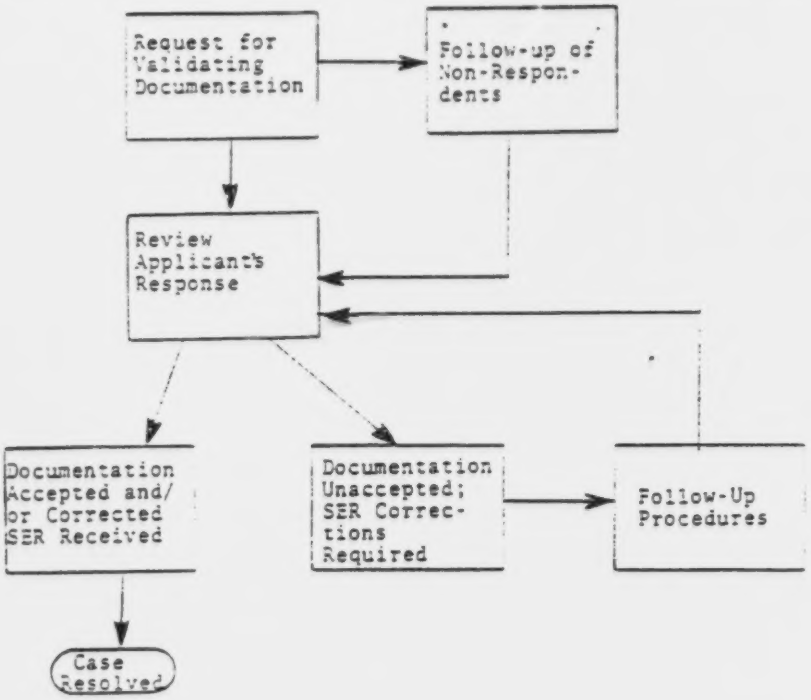
If the addressee failed to respond to the initial request for SER corrections or supporting documentation either by letter or telephone within a specified period of time, a follow-up letter was sent via certified mail. Non-response to this second request resulted in a series of telephone follow-ups until the addressee was contacted or it proved impossible to locate the individual.

1/ Discontinuing BEOG payments was not effected when a SER discrepancy involved an applicant's assets (home and business value, stocks, bonds, cash savings, etc.) This was because these were difficult items to validate without an undue invasion of personal privacy.

Responses to requests for SER corrections or supporting documentation were carefully reviewed for acceptability. If a response was an SER correction, this review determined whether the appropriate data items had been changed and that the respondent had dated and signed the SER certification. If a response was supporting documentation, the review determined whether this documentation pertained to the items that were believed to be in error, whether the documentation was for the right calendar year, and whether the information had been notarized.

If a response was judged unacceptable, a new series of communications was initiated to obtain the required response. If judged acceptable, a letter was sent to the respondent indicating Office of Education satisfaction with the materials received. If an SER correction was involved, this letter also explained what the respondent should do upon receiving the new corrected SER. At the same time this letter was mailed, the referring institution was also instructed to resume BEOG disbursements in accordance with the valid Student Eligibility Index (SEI).

The flow of validation events is summarized schematically below:


Request for Validating Documentation
Follow-up of Non-Respondents
Review Applicant's Response
Documentation Accepted and/or Corrected SER Received
Documentation Unaccepted; SER Corrections Required
Follow-Up Procedures
Case Resolved

All data reported by an applicant concerning his/her financial and personal circumstances and the various transactions which occurred during the validation process were recorded and entered onto a specially-designed computerized document control system. Tables included in this chapter were derived from the report generating program that was a part of this document control system.

For a more complete discussion of the procedures used in the Institution Referral, the interested reader should consult Chapter 2 of Volume IV of the Basic Grant Validation Study Final Report (Revised Procedural Manual).

2.3: INSTITUTION REFERRAL STUDY RESULTS

This presents the findings and results of the Institution Referral Study. The following text is divided into several subsections, each describing a key area in the analysis of study data. Section 2.3.1 presents an overview of the analytical approach, section 2.3.2 reviews the degree of institutional participation in the study, section 2.3.3 describes basic individual case statistics, and section 2.3.4 describes basic institution statistics.

2.3.1: Approach to Data Analysis

The most appropriate analytical techniques for the Institution Referral Study were simple descriptive statistics such as univariate and joint frequency distributions. Distributions were presented as absolute and/or relative frequencies depending on the purpose for which data are presented. In addition, means and standard deviations were developed for dependent variables that were interval in nature if these statistics were informative.

No inferential statistics were generated. It should also be noted that because of the non-random sample selection process and small sample size, population projections based upon study results are not statistically justifiable. This doe snot, however, negate the value of study results for identifying areas of the Basic Grant Program which could be modified to reduce potential program abuse and to improve the manner in which the program is managed.

Variables investigated were those directly relevant to the basic study objectives presented in the Introduction to this report. That is, only those variables providing information relative to 1) the degree of actual and potential program abuse; 2) the characteristics of applicants likely to perpetrate such abuse; and 3) procedures for screening and correcting erroneous applications were developed in the tables which follow. These variables are as follows:

Independent Variables

The first category of independent variables for analysis comprised institution variables. It was felt that Basic Grant application misreporting may vary as a function of the type of institution an applicant attened. The two characteristics of institutions addressed in this study are:

- institution size
  - enrollment of less than 1,000 students
  - enrollment between 1,000 and 5,000 students
  - enrollment over 5,000 students
- institution type
  - public institutions
  - private institutions
  - private proprietary institutions

Another variable was the type of documentation used by financial aide officers to support allegations of SER discrepancies:

- supporting documentation
  - ETS Parent Confidential Statement
  - ACT Financial Need Statement
  - Federal Tax Form
  - State Tax Form
  - Affidavit of Nonsupport
  - Institution Need Analysis Form
  - High School Transcript
  - Veterans Benefits Statement
  - Social Security Benefit Statement
  - No formal documentation

This variable is important because identification of those sources of information most useful in determing valid SER errors may improve future Basic Grant application verficiation at the institutional level.

In addition to these three variable categories, two variables were selected which related to the personal and financial circumstances of the applicants:

- student status
  - dependent students
  - independent students
- income level
  - annual income less than $4,000
  - annual income between $4,000 and $6,999
  - annual income between $7,000 and $10,000
  - annual income over $10,000

The final independent variable considered in the Institution Referral Study is the mode of case resolution. This variable is critical in that it describes the incidence of confirmed SER misreporting, and is also useful in establishing the type of alleged discrepancies amendable to validation through procedures utilized in this study:

- resolution status
    - .. not valid for follow-up
    - .. resolved by institution
    - .. valid SER correction
    - .. acceptable documentation
    - .. case timed out (non-response)
    - .. unable to contact student/parent
    - .. resolved by Office of Education decision

Dependent Variables

There are basically two dependent variables addressed in the Institution Referral Study. The first is the type of reported discrepancy. Frequently reported discrepancies were identical to actual errors, but this was not always true. Therefore, tables are presented separately for each variable type. Categories

- reported discrepancies
    - .. enrollment in post-secondary schools prior to April, 1973 (prior enrollment)
    - .. errors in taxes reported paid (taxes paid)
    - .. errors in reported household size (household size)
    - .. errors in reported adjusted gross income (AGI)
    - .. errors in reported child support payments (child support)
    - .. errors in reported marital status (marital status)
    - .. errors in reported medical/dental expenses (medical/dental)
    - .. errors in reported casualty/theft losses (casualty/theft losses)
    - .. errors in reported home value (home value)
    - .. errors in reported cash savings (savings)
    - .. errors in reported Veteran's Benefits (Veteran's Benefits)

  - errors in reported citizenship or immigration status (citizenship)
  - errors in the number of family members attending post-secondary schools (post-high)
  - errors in reported Social Security benefits (Social Security)
  - errors in reported welfare benefits (welfare)
  - errors in reported dependency status (dependency status)
  - multiple discrepancies
  - other non-taxable income
  - zero/low income
- *actual* discrepancies
  - adjusted gross income misreported (AGI)
  - adjusted gross income misreported - step-parent (step-parent)
  - taxes withheld rather than taxes paid
  - taxes other than income taxes reported
  - errors in reported taxes paid, n.e.c.
  - other income[1] reported as a monthly disbursement
  - other income already reported as part of adjusted gross income
  - other income (step-parent case)
  - Veteran's Benefits reported as other income
  - other income issues other than those cited above
  - errors in Veteran's Benefits, n.e.c.
  - number of family members in post-secondary schools identical with total family size
  - number of family members in post-seondary schools includes all children attending schools of any type (elementary, secondary, etc.)
  - errors in reported number of family members in post-secondary schools, n.e.c.
  - errors in reported household size
  - enrollment in post-secondary schools prior to April, 1973

---

[1] For purposes of Basic Grant applications, "other income" refers to income not reported on Federal or State income Tax returns such as Social Security benefits, welfare, child support, and other non-taxable sources of income.

.. errors in reported citizenship or immigration status

.. errors in reported dependency status

.. errors in reported assets

.. errors in applicant's reported cash savings

.. other types of discrepancies, n.e.c.

The reason for the differences in variable categories between reported and actual discrepancies is that reported discrepancy categories were developed on a priori assumptions about misreporting the validation contractor was likely to encounter. Actual discrepancies, however, were developed to 1) reflect actual reporting problems that could give rise to specific policy recommendations and 2) to be comparable with discrepancy categories established for the Pre-established Criteria Study (Chapter 3).

It should be further noted that the number of cases falling into a specific variable category fluctuated markedly. Some categories had more than thirty cases whereas others had none. Consequently, in most tables developed to present data on these dependent variables, data have been aggregated to simplify tables and to expedite data interpretation. It was deemed appropriate to fully elaborate these variable categories in this particular section of the report in order to indicate the diverse kinds of issues that were of concern in the Basic Grant Validation Study.

The following subsections present the actual study findings.

2.3.2: Institution Participation

At the time this report was prepared, the validation contractor had received 521 referrals from 157 institutions. This response was below Office of Education expectations. It had been estimated that the case load from institution referrals would be approximately 2,000.

Of these 521 referrals, 185 (35%) came from just four institutions. In addition, the majority of all schools reporting SER discrepancies were junior colleges, and trade, technical and vocational schools. At this time, only 23 (15%) of the reporting institutions had enrollments of over 5,000 students and were four year degree-granting institutions.

There are several possible reasons why the institutional response to this phase of the Basic Grant Validation Study was less than expected, particularly among the larger schools. Many of these reasons were expressed by financial aid officers themselves. They are as follows:

- Validation of Basic Grant applications should be handled solely by the Office of Education. Individual institutions should not be responsible for resolving difficulties with inaccurate applications if the Office of Education didn't require satisfactory evidence for application data prior to a determination of student eligibility. (1 FAO)
- Financial aid officers did not want to be a part of an effort that would require a student to reimburse Basic Grant funds for application errors that were unintentional. As one financial aid officer said, "I don't think a student should be penalized for a messy family situation." (1 FAO)
- Financial aid officers were not provided with sufficient funds to assume the added responsibility of validating SERs. Without this support, institutions could not afford to cooperate in the Validation Project. (@5 FAOs)
- Financial aid personnel, particularly in larger schools, were overburdened with their basic responsibilities and it was simply impossible for schools to provide the manpower to validate Basic Grant applications, even if the Office of Education provided financial support for case processing. (@3 FAOs)

In addition to these reasons, low institution response was also believed to be a function of the fact that 1) the validation effort was a new and relatively unfamiliar type of program for most financial aid officers and 2) better Office of Education guidelines for resolving possible SER discrepancies at the institution level made it unnecessary for a number of discrepancies to be reported to the validation contractor.

Despite these possible reasons for the low institutional response, it should be noted that most financial aid officers believed that the validation project had been a worthwhile endeavor and that more intensive validation of data reported on financial aid applications is needed at the federal, state, and institutional levels. As one financial aid officer stated, "It's about time you (the Office of Education) did something like this. It's very disturbing to know that students are cheating (on financial aid applications) and really not be able to do anything about it."

2.3.3: Individual Case Statistics

Reported Discrepancies

As can be seen from the distribution of reported discrepancies in Table 2.1, a few discrepancy types contain almost all cases referred to the validation contractor. Enrollment in postsecondary schools prior to April, 1973 (prior enrollment, 21.7%); errors in reported adjusted gross income (adjusted gross income, 43%); errors in reported dependency status (dependency status, 6.4%); zero or extremely low incomes (zero/low income, 7.9%; and multiple discrepancies (10%) account for 89 percent of all referrals received.[1/]

Therefore, it was deemed appropriate to aggregate reported discrepancy types in order to simplify data presentation. This aggregation resulted in the following reported discrepancy types:

- prior enrollment
- adjusted gross income
- zero/low income
- dependency status
- multiple discrepancies
- other discrepancy types

These categories are used in all subsequent tables examining reported discrepancies.

[1/] No cases were referred for errors in reported child support payments, reported martial status, reported casualty/theft expenses, or reported social security payments. For this reasons, these four discrepancy types were not included in Table 2.1.

TABLE 2.1

Distribution of Reported Discrepancies

Discrepancy Type	% of total
prior enrollment	21.7 (N=113)
taxes paid	1.5 (N=8)
household size	.2 (N=1)
adjusted gross income	43.0 (N=224)
medical/dental expenses	.2 (N=1)
home value	.76 (N=4)
cash savings	.58 (N=3)
veteran's benefits	4.4 (N=23)
citizenship	1.9 (N=10)
post-secondary	.2 (N=1)
welfare payments	.2 (N=1)
dependency status	6.4 (N=33)
other income	1.1 (N=6)
zero/low income	7.9 (N=41)
multiple discrepancies	10.0 (N=52)
Total	100* (N=521)

*rounded to nearest whole percentage.

Of the 521 cases reported to the validation contractor, resolution was obtained for 159 (31%) at the time this report was prepared. The remaining 362 cases were still in various phases of the validation process. In part, this was because approximately 200 of these cases were received during April, May, and June, making it impossible to investigate most of these cases prior to end of the 1975-76 validation contract. The other cases have been awaiting new Student Eligibility Reports or have proved unresponsive to validation efforts.

Because of the types of analysis undertaken in this section of the report, only those cases of which have been satisfactorily resolved were examined. Therefore, unless otherwise indicated, tables presented in this section of the report represent data derived from an investigation of 159 referrals or some subject thereof.

Differences in the distribution of reported discrepancies between all cases reported (Table 2.1) and only those which were resolved at the time this report was prepared (Table 2.2) are not particularly noteworthy. The only extreme difference occurs in the adjusted gross income category. Reported adjusted gross income discrepancies in Table 2.1 account for 43 percent of total referrals whereas in Table 2.2 , this same cateforyaccounts for 21.4 percent. Generally, though, data derived from an examination of resolved cases can be expected to reasonably approximate data from all referrals if this information were available.

A reported discrepancy did not necessarily mean that validation efforts were invariably implemented. If the documentation supporting a reported discrepancy did not present a strong case for the possibility of an SER error and if better documentation could not be obtained from the referring institution, the case was usually declared not valid for follow-up and considered resolved. Of the 159 cases presented in Table 2.2, 16 were closed for this reason. This reduced the number of referrals to 143 which could be expected to provide information concerning the extent and degree of Basic Grant misreporting. Table 2.3 indicates differences between total number of resolved

TABLE 2.2

Aggregated Distribution of Reported Discrepancy Types, Resolved Cases

Discrepancy	% of total
prior enrollment	28.9 (N=46)
adjusted gross income	21.4 (N=34)
zero/low income	16.3 (N=26)
dependency status	6.3 (N=10)
multiple discrepancies	15.7 (N=25)
others, nec.	11.3 (N=18)
Total	100* (N=159)

* rounded to nearest whole percent

TABLE 2.3

Aggregated Distribution of Total Resolved Referrals and Total Valid Referrals, by Discrepancy Type

Discrepancy	% of total resolved referrals	% of total valid referrals	valid case ratio
prior enrollment	28.9 (N=46)	31.5 (N=45)	.98
adjusted gross income	21.4 (N=34)	23.0 (N=33)	.97
zero/low income	16.3 (N=26)	16.8 (N=24)	.92
dependency status	6.3 (N=10)	4.2 (N=6)	.60
multiple discrepancies	15.7 (N=25)	15.4 (N=22)	.88
others, n.e.c.	11.3 (N=18)	9.0 (N=13)	.72
Total	100.0* (N=159)	100.0* (N=143)	.9

* rounded to nearest whole percent

referrals and total number of resolved referrals considered valid for follow-up. This difference is reported as a "valid case ratio" which was obtained by dividing valid resolved referrals by total resolved referrals for each reported discrepancy category.

Actual Discrepancies

Given that 143 resolved referrals underwent complete validation procedures, the next stage in the analytical process was to determine the nature of actual discrepancies.[1/] Of these 143 resolved referrals, 126 had confirmed discrepancies. These discrepancies are indicated by category in Table 2.4. A total of 165 actual discrepancies are entered in this table because several applications had more than one error.

Table 2.4 indicates that misreported adjusted gross income (21.8%) and enrollment in postsecondary schools prior to April, 1973 (27.9%) account for nearly 50 percent of all confirmed SER errors.[2/] Therefore, as in the case of the distribution of reported discrepancies, subsequent tables displaying the incidence of confirmed discrepancies will use aggregated categories as follow:

- Prior enrollment
- Adjusted gross income
- Adjusted gross income (step-parent cases)

[1/] As indicated previously, in many cases actual discrepancies differed from reported discrepancies. It was also indicated that categories of actual discrepancies were somewhat more refined than reported discrepancy categories. This refinement in actual discrepancy categories was effected to increase the utility of discrepancy information meeting the Basic Grant Validation Study objectives discussed in Section 2.1.

[2/] There were no confirmed errors in the following categories: 1) taxes withheld reported as taxes paid; 2) other income already included in applicant's reported adjusted gross income; 3) other income - step-parent cases; and 4) other income reported as veteran's benefits. Therefore, these categories were not included in Table 2.4.

TABLE 2.4

DISTRIBUTION OF CONFIRMED SER DISCREPANCIES

Discrepancy	% of Total
adjusted gross income	21.8 (N = 36)
adjusted gross income, step-parent case	4.8 (N = 8)
taxes other than income taxes	.6 (N = 1)
taxes, nec	7.3 (N = 12)
other income reported monthly	.6 (N = 1)
other income, nec	10.3 (N = 17)
veteran's benefits misreported	1.8 (N = 3)
number in post-secondary schools equals household size	.6 (N = 1)
number in post-secondary schools equals all children of schools of any type	1.2 (N = 2)
number in post-secondary schools, NEC	2.4 (N = 4)
household size	2.4 (N = 4)
prior enrollment	27.0 (N = 46)
citizenship	.6 (N = 1)
dependency status	5.4 (N = 9)
assets	7.9 (N = 15)
unusual expenses	.6 (N = 1)
cash savings	.6 (N = 1)
other	3.0 (N = 5)
TOTAL	100.0 (N = 165)

- All "other income" discrepancies
- All "taxes paid" discrepancies
- All family variables (household size, citizenship, and family members attending post-secondary schools)
- Asset/unusual expenses
- Dependency status

The distribution of aggregated confirmed SER discrepancies is presented in Table 2.5.

Of the confirmed discrepancies, deliberate misreporting appeared to be involved in only a few cases. In one instance, the validation contractor dealt with an applicant who had submitted at least seven Basic Grant applications with various aliases, addresses, and social security numbers. The apparent intent was to select the SER providing the largest award. In another case, a dependent applicant indicated that he and his mother had no income or resources of any kind even though, as the financial aid officer stated, "no family of two people can exist with resources of "zero."

Largely, though, SER errors can be divided into two types, both of which seemed to stem from ignorance of Basic Grant regulations. The first type of SER error was classified as "acknowledged carelessness" and seemed to be characteristic of approximately 40 to 50 percent of the 126 cases with confirmed SER discrepancies. In many of these cases, SER information was initially misreported due to carelessness or misunderstanding. However, when SER errors were pointed out to the applicant by financial aid officers, he/she refused to make appropriate corrections. As an example, the validation contractor processed a case in which the applicant filed for a Basic Grant without being aware of the April 1, 1973 constraint on prior enrollment in postsecondary schools. The applicant corrected his SER, but refused to sign the certification even though he knew that without his signature his SER correction could not be reprocessed.

The other general type of SER discrepancy resulting from ignorance of Basic Grant regulations involved applicants who refused to correct their SERs because they sincerely believed that their cases

TABLE 2.5

AGGREGATED DISTRIBUTION OF CONFIRMED SER DISCREPANCIES

Discrepancy	% of total
adjusted gross income	21.8 (N = 36)
adjusted gross income (step parent)	4.8 (N = 8
all "other income" discrepancies	12.7 (N = 21)
all "taxes paid" discrepancies	7.9 (N = 13)
all family variables	7.2 (N = 12)
asset/unusual expenses	9.0 (N = 15)
dependency status	5.4 (N = 9)
prior enrollment	27.9 (N = 46)
other	3.0 (N = 5)
TOTAL	100.0 (N = 165)

were special and that Basic Grant regulations did not necessarily apply to them. These cases usually involved dependency status errors, step parent errors, and prior enrollment errors and were among the most difficult to resolve. The reason for the difficulty in resolving these cases stemmed from the applicant's belief that his/her case was legitimate, and much effort was expended to explain to an applicant the non-negotiable nature of Basic Grant regulations.

A representative example of this type of error concerned a step parent case. Basic Grant eligiblity for the 1975-76 academic year was determined by an applicant's (or his/her family's) 1974 income. In the case in question, the applicant had been claimed by her step-father as a dependent for income tax purposes for 1974. This meant that the applicant had to file as a dependent student for 1975-76 and report here step-father's income on her Basic Grant application. However, between 1974 and the applicant's enrollment in a postsecondary school, the applicant left home because of certain irreconcilable differences with here step-father. As the applicant's mother stated, "he (the father) doesn't do one blasted thing for (her)."

Because of this domestic rift, the applicnt could not rely on support from her step-father even though her Basic Grant eligibility index was required by law to reflect her step-father's income. Despite this requirement, the applicant filed for a Basic Grant award and reported only her mother's income. The school then referred the case to the validation contractor and the school, as instructed, refused to release the applicant's Basic Grant award. Resolution of the case required ten letter transactions and several telephone communications before the applicant and here mother fully realized why her Basic Grant award had to be determined on the basis of both the mother's and step-father's 1974 income. The applicant's Student Eligibility Index based on her mother's and step-father's income resulted in ineligibility for a Basic Grant award.

Another case of this type involved a young married couple who filed as independent students. Financial aid records revealed, however, that the husband had been claimed as a dependent on his parents' 1974 income tax return and therefore, for purposes of determining grant eligibility, he was required to file as a dependent student. The corrected SER resulted in his ineligibility for a Basic Grant award. This case, too, proved to be difficult in that the young couple and the parents found the logic behind the regulations difficult to accept.

There were several prior enrollment cases in which the applicants had attened postsecondardy schools for what they considered an insiginificant amount of time prior to April, 1973. In one case, the applicant started school March 22, 1973 and was subsequently ruled ineligible for a Basic Grant. In another case, the applicant attended school for two weeks in the fall of 1972 and then withdrew. The applicant resumed schooling after April, 1973, but was ruled ineligible for a Basic Grant because of her two weeks' attendance in 1972.

Finally, a third applicant was enrolled in what he believed were remedial courses at the postsecondary level prior to April 1973, and was convinced that this attendance did not constitute prior enrollment. The courses, however, were not remedial and he was declared ineligible.

One other discrepancy to be discussed involved an applicant who reported medical expenses in the appropriate box of the Basic Grant application form, but also entered the total amount of the medical debt above that box. The figure which appeared in the SER reflected the debt figure rather than the expense figure. The error was not intentional; rather, it reflected a simple data processing error. However, because the debt figure as calculated into the determination of the applicant's eligibility index, correction of this error did result in a significant increase in the applicant's eligibility index.

These particular cases are not presented to evoke sympathy for the applicants involved. Rahter these cases are clear examples of SER errors which cannot reasonably be considered intentional misreporting. In all but the last instance, the discrepancies resulted from an applicant's refusal to accept the fact that Basic Grant regulations applied specifically to his/her special case. It is this characteristic which distinguished perhaps as many as 40 percent of all confirmed SER errors. In the last case presented, the unintentional error was caused in part by the applicant's uncertainty as to what was meant by an unusual expense. Needless to say, these cases and others like them proved difficult to resolve because of the misunderstandings involved. Once the applicant fully understood that Basic Grant regulations were established legally rahter than administratively, cooperation was usually forthcoming.

Mode of Case Resolution

As indicated earlier, resolution was obtained for 159 out of 521 referrals . Of these 159, SER discrepancies were confimred in 126 cases and another 16 were closed because of insufficient information to justify the initiation of validation procedures. Before pursuing further discussion of the distribution of SER discrepancies and the consequences of such discrepancies for an applicant's Student Eligibility Index (SEI), it is appropriate to return to the issue of case resolution and to examine more cloasely the various closure modes.

A case could be resolved in one of eight ways. One way was determining that the case was not valid for follow-up. If a case was followed up, it could be resolved either through the receipt of a corrected Student Eligibility Report or through the provisions of documentation which acceptably supported[1/] the information contained in the application.

In addition, the referring institution could resolve a case on its own without utilizing the procedures established by the validation contractor. Closure could also be obtained through a decision on the part of the Office of Education if, due to special circumstances, it was inappropriate to initiate follow-up procedures. One case had been closed in this way at the time this report was

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[1/] Acceptable documentation included notarized tax forms, W-2 forms, and/or other formal documents as discussed in Section 2.2.

prepared. In the case in question, the applicant was totally uncooperative in supplying either a corrected SER or any supporting documentation. However, the parents of the applicant paid back the amount of the Basic Grant award and there was no reason to pursue the case further.

Cases could also be closed if the applicant could not be located or the applicant did not respond within 3 months to the last of the follow-up procedures established for dealing with institution referrals. At the time this report was prepared no cases were closed in either manner.

Table 2.6 presents the mode of case resolution by the aggregated reported discrepancy types. As Table 2.6 clearly indicates, most cases were resolved through receipt of a corrected SER (63.5%). Among discrepancy types, there are few noteworthy differences in the way in which a reported discrepancy was resolved. Only in the situation of prior enrollments were institution resolutions more easily obtained than in other cases. However, because of the small sample size and the relatively few referrals actually resolved by institutions, this difference may simply be an artifact of the data.

Of the 126 confirmed SER discrepancies, 101 were resolved through receipt of corrected SERs. The remaining 25 confirmed discrepancies were cases resolved either by institutions or by the Office of Education.[1/] Therefore, of the 143 referrals judged to require validation follow-up, only 17 could provide acceptable documentation either to the validation contractor or to the referring institution (2 cases) to support information as originally reported on their SERs. This translates into a confirmed error in 90 percent of all resolved cases subject to validation follow-up.

[1/] The case closed through Office of Education decision was considered a confirmed SER discrepancy.

Table 2.6

Mode of Case Resolution, by Aggregated Reported Discrepancy Types

Discrepancy Type	Mode of resolution					
	Total %	Not valid for follow-up %	Resolution by Institution %	Valid SER Correction %	Acceptable Documentation %	OE Resolution %
Total	100.00 (N=159)	10.1 (N=16)	16.4 (N=26)	63.5 (N=101)	9.4 (N=15)	.6 (N=1)
Prior Enrollment	28.9 (N=46)	.6 (N=1)	6.9 (N=11)	19.5 (N=31)	1.9 (N=3)	* (N=0)
Adjusted Gross Income	21.4 (N=34)	.6 (N=1)	3.8 (N=6)	14.5 (N=23)	2.5 (N=4)	* (N=0)
Zero/low Income	16.4 (N=26)	1.3 (N=2)	* (N=0)	11.3 (N=18)	3.8 (N=6)	* (N=0)
Multiple Discrepancies	15.7 (N=25)	1.9 (N=3)	2.5 (N=4)	10.1 (N=6)	.6 (N=1)	.6 (N=1)
Dependency Status	6.3 (N=10)	2.5 (N=4)	1.3 (N=2)	2.5 (N=4)	* (N=0)	* (N=0)
Other Discrepancies	11.3 (N=18)	3.1 (N=5)	1.9 (N=3)	5.7 (N=9)	.6 (N=1)	* (N=0)

Changes in Student Eligibility Index

Having discussed the kinds of application errors uncovered and the various conditions by which institution referrals were resolved, it is appropriate to examine consequences of the validation process. Specifically, the question of interest is the degree to which an applicant's Student Eligibility Index (SEI) changed after an SER error was confirmed and corrected.

It will be recalled from Section 2.2 that part of the validation process involved efforts to have applicants correct erroneous SERs. Of the 126 cases in which documented discrepancies were found, 82 had received corrected SERs at the time this report was prepared. The remaining 44 corrections were still in various stages of processing and SEI changes for these cases could not be obtained in time for analysis. Therefore, the data presented in this section are derived from a consideration of only those 82 cases for which new SEIs had been obtained.

The distribution of SEI changes by the magnitude of change is presented in Table 2.7. The most immediate fact about SEI changes that is apparent from this table is that the distribution of changes is essentially bimodal. Of the 82 cases considered, 33 (40.2%) incurred SEI changes in excess of 600 points while 29 (35.4%) were distributed among the remaining change ranges considered. Of those cases in which SER corrections resulted in no SEI change, many involved instances of zero/low income or adjusted gross income changes which did not affect the student's SEI because offsets for family size and number of family members attending postsecondary schools were large enough to absorb the increases in reported income levels.

Because of of the distribution pattern, measures of central tendency must be interpreted rather carefully. With this in mind, though, the average SEI change obtained over these 83 cases was 825.[1/] The average initial SEI in these cases was 328.

[1/] Means computed on ungrouped data.

Student Eligibility Index changes did not invariably result in an increase in an applicant's SEI. As can be seen in Table 2.7, four eligibility indices decreased (the lower the index, the larger the award.) In one case, the applicant had filed as a dependent when in fact she was eligible to file as an independent. In the other cases, adjusted gross incomes had been overreported. Clearly, then, validation efforts are useful not only for the purposes of curtailing Basic Grant overpayments, but in ensuring that an applicant receives the full entitlement for which he/she is eligible.

One final point should be discussed relative to the issue of SEI changes. This concerns the magnitude of SEI changes as a function of discrepancy types. It was anticipated that confirmed prior enrollment errors and reported dependency status errors would result in major shifts in the SEI. Particularly in the case of prior enrollments, confirmed errors resulted in Basic Grant ineligibility. However, as is indicated in Table 2.8, all reported discrepancy categories manifested large average SEI changes despite the fact that those averages include those cases whose corrected SERs resulted in no SEI changes or lowered SEIs.

The largest average changes occurred among those cases with errors in reported dependency status (2008 points), those with multiple errors (1123 points), and those with errors in reported adjusted gross income (1031 points). Interestingly, among the categories with the lowest SEI changes was the prior enrollment category (273 points). Also, there were only 4 cases in this particular category. Therefore, prior enrollment discrepancies did not have a significant impact upon the overall average SEI change of 825 points discussed earlier. This is a particularly noteworthy point because it means that although future validation efforts will not have to consider prior enrollment errors,[1/] it can reasonably be expected that the magnitude of SEI changes that result from validating cases referred by institutions should be essentially unaffected, all other things being equal. This means that the average SEI

[1/] Beginning with the 1976-77 academic year, Basic Grant regulations have eliminated the prior enrollment clause.

TABLE 2.7

Distribution of Student Eligibility Index (SEI) Changes Resulting from Corrected SERs

Change in SEI	Number of Cases
+ More than 600 points	33
501 - 600	2
401 - 500	2
301 - 400	2
201 - 300	2
101 - 200	3
1 - 100	5
0	29
- 1 - 100	1
101 - 200	*
201 - 300	2
301 - 400	*
401 - 500	*
501 - 600	1
More than 600	*
TOTAL	82

TABLE 2.8

Average SEI Change By Reported Discrepancy Type	
Discrepancy Type	Average SEI Change
prior enrollment	273 (N=4)
adjusted gross income	1031 (N=28)
dependency status	2008 (N=6)
multiple discrepancies	1123 (N=15)
zero/low income	264 (N=18)
others, nec	349 (N=11)
TOTAL	825 (N=82)

change presented above does not inordinately reflect prior enrollment discrepancies. If the opposite were the situation, one could have made the argument that this average was an SEI change artifact of an issue which will no longer be of relevance in the future. If this argument were valid, it would have meant that future validation efforts would not likely be as cost-effective as such efforts appear to be at this time.

Selected Characteristics of Applicants Referred by Institutions

The purpose of this section is to present the incidence of Basic Grant misreporting as a function of selected personal and financial circumstances. As indicated in Section 2.2, two such characteristics were investigated for the purposes of this report. The first characteristics was whether the applicant filed as a dependent or independent student. Because application procedures and eligibility determination differ somewhat between these two types of applications, the Office of Education was interested in any variations in Basic Grant misreporting which might be manifested between them.

The other characteristic investigated was the applicant's (or his/her family's) adjusted gross income. This variable was of interest because other studies of financial aid application misreporting have conventionally used income level to present study results. To render the current validation study comparable to previous research, the validation contractor also utilized this variable. This analysis also allows some comparison of results obtained from the Institution Referral component of the Basic Grant Validation Study with the IRS Sample Study results (see Volume III of the Basic Grant Validation Study Final Report).

Of the 143 cases that were appropriate for follow-up, 79 (55%) were dependent students and 63 (45%)[1/] were independent students as determined by their filing status on their original SERs. One case had an indeterminant classification. Table 2.9 shows the distribution of these two types of applicants by reported discrepancy categories.

[1/] It should be noted that although there are about four times as many dependent students as independent students receiving Basic Grants, independent students accounted for almost half of the Institutions Referrals.

TABLE 2.9

Distribution of Dependent and Independent Applicants by Reported Discrepancy Type

Discrepancy Type	dependent students % of column	independent students % of column
prior enrollment	17.7 (N=14)	49.2 (N=31)
adjusted gross income	39.2 (N=31)	3.2 (N=2)
zero/low income	8.7 (N=7)	27.0 (N=17)
dependency status	1.3 (N=1)	7.9 (N=5)
multiple discrepancies	20.2 (N=16)	7.9 (N=5)
others, nec	12.7 (N=10)	4.8 (N=3)
TOTAL	100.00* (N=79)	100.00 (N=63)

*Rounded to nearest whole percent

The major differences between independent and dependent students relative to the incidence of reported discrepancies are in the prior enrollment, adjusted gross income, and zero/low income categories. The prior enrollment category contains nearly half (49.2%) of all independent students, whereas only 17.7 percent of all dependent students were referred for similar reasons.

Reported adjusted gross income errors, on the other hand, show a reverse pattern. Nearly 40 percent of all dependent student referrals were of this type whereas this was true for only 3.2 percent of the independent referrals. The reason for this divergence is most likely a consequence of the fact that most independent students did not have large adjusted gross incomes and consequently any potential income discrepancies would have been classified in the zero/low income discrepancy category.[1] This explanation is borne out when the distribution of dependent/independent students in the zero/low income discrepancy category is examined. This discrepancy type accounts for 27 percent of all independent referrals, but only 8.7 percent of all dependent referrals. Therefore it may reasonably be assumed that aside from prior enrollment discrepancies, differences in the type of reported discrepancies between dependent and independent students are a function of differential income levels and not of differential patterns of misreporting Basic Grant application information.[2]

Independent students differed very little from dependent students in terms of the extent to which reported discrepancies became confirmed discrepancies. As indicated in Table 2.10, 92 percent of all dependent referrals and 86 percent of all independent referrals had confirmed discrepancies.

1/ Adjusted gross incomes less than 1,000 dollars were classified in the zero/low income group.

2/ Discrepancies in filing status (dependency status) are quite likely more common among applicants filing as independents. However, because of the very few cases of this type resolved at the time this report was prepared, a definitive statement to this effect is not justifiable.

TABLE 2.10

Confirmed Discrepancy Ratio for Dependent and Independent Students by Reported Discrepancy Type

	confirmed discrepancy ratio (confirmed discrepancies/valid referrals)	
Discrepancy Type	dependent students	independent students
prior enrollment	.93	.94
adjusted gross income	.87	1.00
zero/low income	1.00	.65
dependency status	1.00	1.00
multiple discrepancies	1.00	.80
others, nec	.90	1.00
TOTAL	.92	.86

The only discrepancy category that evidenced any noteworthy variation between dependent and independent applicants was the zero/low income category. All 7 dependent students in this category had confirmed error whereas this was true for only 11 out of 17 independent students.

Overall, then, Tables 2.9 and 2.10 have indicated that given the data available at this time, the key variable that separates independent from dependent applicants is adjusted gross income. Misreporting of Basic Grant application information does not evidence any distinct patterns between these two types of applicants that cannot be explained in terms of the amount of income an applicant must report.[1/] This generalization, of course, refers only to misreporting among dependent and independent applicants referred to the validation contractor by participating BEOG institutions. It is not a generalization which can or should be applied to differences in independent/dependent misreporting in general.

Because income variables seem to define the type and extent of reported differences between dependent and independent students vis-a-vis Basic Grant misreporting, Table 2.11 has been developed to explore the income variabel further. Table 2.11 presents data concerning the distribution of actual discrepancies by income level. Actual discrepancies are used rather than reported discrepancies in order that a more detailed analysis may be made of any possible association between income levels and Basic Grant application errors.

There are 165 total actual discrepancies because of multiple errors among some of the 126 cases with confirmed SER errors. Additionally, it should be noted that the overall distribution of

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[1/] The difference in prior enrollment discrepancies between independent and dependent students has not been overlooked. However, it was not considered necessary to examine this difference at this point because it is discussed at some length in a later section (see page 2.37)

SER errors across income levels is almost identical to the distributions of applicants within these categories (52.1% of all errors; 52.3% of all applicants for the under $4,000 cateogry; 7.3% of all errors, 8.7% of all applicants - $4,000/$6,999p 6.7% of all errors, 6.3% of all applicants - $7,000/10,000; and 33.9% of all errors, 32.5% of all applicants - over $10,000.)

Closer inspection of Table 2.11 reveals that despite the number of referrals reported in the zero/low income category[1] (Table 2.2), a disproportionate number of adjusted gross income errors was recorded in the highest income level (over $10,000). Adjusted gross income errors accounted for 50 percent of all errors (28 out of 56 actual errors) in the over $10,000 group whereas adjusted gross income errors accounted for only 14 percent (8 out of 86 actual errors) of the errors in the lowest income group. Because of this fact, it is not surprising that "taxes paid" errors are also disproportionately located in the highest income group. Errors in reported taxable income would logically result in errors in the taxes an individual reported.

On the other hand, the lowest income group exhibited the highest incidence of errors in reporting "other income."[2] Nearly 10 percent of all actual errors were "other income" discrepancies uncovered in this group. No other income group even approaches this figure. The reason for the preponderance of "other income" errors in the lowest income group is a function of the fact that applicants in this category are most likely to be recipients of public assistance and Social Security benefits (survivor's benefits) than applicants in other income categories.

The lowest income group also exhibits a substantial number of prior enrollment errors. Nearly 22 percent of all errors are of this type. Relative to actual discrepancies within the lowest income group, prior enrollments account for 40 percent of all confirmed

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[1] For actual discrepancies, zero/low income errors are considered adjusted gross income errors.

[2] As previously noted, "other income" refers to non-taxable incomes.

TABLE 2.11

Distribution of Actual Application Discrepancies by Income Level

		Income Level			
Discrepancy Type	Total %	less than $4,000 % of total	$4,000-$6,999 % of total	$7,000-$10,000 % of total	more than $10,000 % of total
Total	100.00 (N=165)	52.1 (N=86)	7.3 (N=12)	6.7 (N=11)	33.9 (N=56)
adjusted gross income	21.8 (N=36)	7.2 (N=12)	.6 (N=1)	1.8 (N=3)	12.0 (N=20)
adjusted gross income (step-parent)	4.8 (N=8)	* (N=0)	* (N=0)	* (N=0)	4.8 (N=8)
all "other income" discrepancies	12.7 (N=21)	9.7 (N=16)	.6 (N=1)	1.2 (N=2)	1.2 (N=2)
all "taxes paid" discrepancies	7.9 (N=13)	1.8 (N=3)	.6 (N=1)	* (N=0)	5.5 (N=9)
all family variables	7.2 (N=12)	4.2 (N=7)	* (N=0)	.6 (N=1)	2.4 (N=4)
dependency status	5.4 (N=9)	3.0 (N=5)	.6 (N=1)	* (N=0)	1.8 (N=3)
prior enrollment	27.9 (N=46)	21.8 (N=34)	3.0 (N=5)	1.2 (N=2)	3.0 (N=5)
others, nec	12.0 (N=20)	6.0 (N=10)	1.8 (N=3)	1.8 (N=3)	2.4 (N=4)
TOTAL CASES	100.00 (N=126)	52.3 (N=66)	6.3 (N=8)	6.3 (N=8)	32.5 (N=41)

*Rounded to nearest percent

errors (34 out of 86 errors). An explanation of this finding may be academic because prior enrollment errors will not be an issue in future validations. However, it will be recalled that in Table 2.9 prior enrollments represented almost 50 percent of all reported discrepancies among independent applicants. Independent applicants, in turn, are disproportionately located in the lowest income group. Of the 63 independent applicant referrals resolved to date, 40 (79.4%) fell within this income group. It may be argued, therefore, that because these individuals had by definition the greatest need for financial assistance to attend the postsecondary school of their choice, there was a greater tendency on their part to ignor the April 1973 Basic Grant application restriction. This argument, though, is speculative and should not be taken as a rebuttal to the earlier statement that deliberate misreporting was an apparently uncommon factor in referrals processed by the validation contractor. Information is insufficient to determine the reasons applicants did not accurately report attendance in postsecondary schools prior to April 1973.

In summary, then, personal characteristics of applicants referred for SER validations are associated with patterns of misreporting in the following ways:

- Prior enrollment cases were generally a characteristic of independent student referrals. A possible explanation of this was that most independent students were low income individuals and therefore had a greater incentive to ignore the April 1973 application restriction than dependent students.
- Adjusted gross income errors were most often reported for dependent students. The reason for this association may be that most independent students are low income students. Therefore, their income errors were reported as zero/low income rather than adjusted gross income discrepancies. However, an investigation of actual income errors revealed that the highest income group evidenced a greater error rate than lowest income even when zero/low income and adjusted gross income errors were combined into a single discrepancy category. Because dependent students predominated in the highest income group and independent students predominated in the lowest income group, it appears that dependent students do indeed evidence a substantially greater error rate relative to income discrepancies.

- Low income applicants evidence the highest rates of misreporting sources and amounts of "other income."

Aside from these tentative distinctions, dependency status and income level appear to have little additional ability to effectively discriminate among various possible types of Basic Grant misreporting.

2.3.4: Institution Statistics

The final dimension of the Institution Referral Study findings concerns the distribution of SER discrepancies by key institutional variables such as school size and school control. In addition, data are presented indicating the kinds of documentation financial aid officers used to support allegations of misreporting. As with most tables presented to this point, the data are based upon various subsets of the 159 cases which have been resolved.

Reported Discrepancies

Of the 143 referrals that were determined to be valid for follow-up and validation, 112 were referred by public schools, 24 by private non-profit schools, and 4 by proprietary schools. Three referrals could not be categorized by type of school control. As stated earlier, several institutions reported more than one Basic Grant applicant. However, for the purposes of this report, each case was analyzed independent of the specific institution referring it. other words, the following tables are developed as if referrals were received from 143 separate schools. Because the purpose of these tables is to investigate institution variabels which may describe possible patterns of Basic Grant misreporting, ignoring instances of multiple referrals from a single institution was considered acceptable.

With these points in mind, Table 2.12 presents the distribution of reported discrepancies by type of institution control. These data indicate that a definite majority of all referrals come from public schools (78.3%). This was not unexpected. Most schools in the Basic Grant program are under public control. Perhaps the most noteworthy issue raised by these data relates to the fact that of the discrepancies reported by private nonprofit and proprietary schools, nearly 40 percent (11 of 28) are prior enrollment errors and another 21 percent (6 of 28) are multiple discrepancy errors.

Table 2.12

Distribution of Reported SER Discrepancies by Type of Institution Control

Discrepancy Type	Institution Control				
	Total %	Public % of total	Private Non-Profit % of total	Private, Proprietary % of total	Other, unknown % of total
Total	100.0 (N=143)	78.3 (N=112)	16.3 (N=24)	2.8 (N=4)	2.1 (N=3)
Prior Enrollment	31.5 (N=45)	23.7 (N=34)	5.6 (N=8)	2.1 (N=3)	* (N=0)
Adjusted Gross Income	23.1 (N=33)	15.4 (N=22)	7.0 (N=10)	* (N=0)	7 (N=1)
Zero/Low Income	16.8 (N=24)	15.4 (N=22)	* (N=0)	* (N=0)	1.4 (N=2)
Dependency Status	4.2 (N=6)	4.2 (N=6)	* (N=0)	* (N=0)	* (N=0)
Multiple Discrepancies	15.4 (N=22)	11.2 (N=16)	3.5 (N=5)	.7 (N=1)	* (N=0)
Others, nec	9.0 (N=13)	8.4 (N=12)	.7 (N=1)	* (N=0)	* (N=0)

This is to be compared to 30 percent (34 of 112) and 14 percent (16 of 112) for the same discrepancy types reported by public schools. Prior enrollments were fairly easy to document and multiple discrepancy cases were usually so confused that SER error was virtually certain. In a sense, these types of errors required less effort to report than the other discrepancy types. The point to be made, then, is that for one reason or another, public school financial aid officers seemed more thorough in their review of Basic Grant applicants than their counterparts in the private sector. This generalization, though, must be accepted cautiously for several reasons. First, the assumption of effort required to uncover and document types of discrepancies is in itself problematic. Secondly, the difference between public and private institutions relative to these two discrepancy types would not obtain statistical significance due to the sample sizes involved. Third, these differences are certainly open to credible alternative explanations.

There are, however, some additional data which seem to reinforce the "thoroughness" argument presented above. Adjusted gross income discrepancies were among those which could easily be supported with certainty once appropriate documentation was obtained. Of the 22 adjusted gross income discrepancies referred by public schools, all were later recorded as confirmed errors. On the other hand, of the 10 adjusted gross income referrals from private schools, only 7 were confirmed SER errors. Although the number are small, data are consistent with the interpretation of data in Table 2.12.

If, the assumption concerning the differential thoroughness of financial aid officer investigations is valid, it may be expected that in the future, all things being equal, private schools will report proportionately fewer alleged incidences of misreporting, simply because prior enrollments will no longer be an issue for the Basic Grant program.

Table 2.13 shows the distribution of reported SER discrepancies by size of institution enrollments. Most referrals came from institutions with moderately large enrollments (44.8%). Only 35 percent

Table 2.13

Distribution of Reported SER Discrepancies by Institution Enrollments

Discrepancy Type	Institution Enrollments				
	total %	less than 1,000 % of total	1,000 - 5,000 % of total	over 5,000 % of total	other, unknown % of total
Total	100.0 (N=143)	9.8 (N=14)	44.8 (N=64)	35.0 (N=50)	10.5 (N=15)
Prior Enrollment	31.5 (N=45)	2.1 (N=3)	13.3 (N=19)	13.3 (N=19)	2.8 (N=4)
Adjusted/Gross Income	23.1 (N=33)	4.2 (N=6)	7.7 (N=11)	10.5 (N=15)	.7 (N=1)
Zero/Low Income	16.8 (N=24)	* (N=0)	13.3 (N=19)	2.1 (N=3)	1.4 (N=2)
Dependency Status	4.2 (N=6)	* (N=0)	1.4 (N=2)	2.1 (N=3)	.7 (N=1)
Multiple Discrepancies	15.4 (N=22)	2.8 (N=4)	9.0 (N=9)	4.9 (N=7)	1.4 (N=2)
Others, nec	9.0 (N=13)	.7 (N=1)	2.8 (N=4)	2.1 (N=3)	3.5 (N=5)

came from the larger schools with enrollments of over 5,000 students. This is in keeping with the observation made in Section 2.3.1 concerning the relatively few referrals received from larger four year colleges and universities despite the fact that such schools serve a majority of Basic Grant applicants. The actual distribution of reported discrepancies, though, does not appear to vary as a function of school size insofar as the data available to the validation contractor permit such a generalization.

Actual Discrepancies

The distributions of *actual* discrepancies by institution control and size do not differ from the distribution of reported discrepancies. As can be seen in Table 2.14, public schools account for 83 percent of all actual discrepancies. These schools also account for the overwhelming majority of discrepancies that seemingly would be the most difficult to document: all 13 "taxes paid" discrepancies, 20 of 21 "other income" discrepancies, all 9 dependency status errors, and 7 of 8 "step-parent" adjusted gross income discrepancies. This lends a degree of support to the point made earlier concerning the difference in the thoroughness of SER reviews that appears to take place between public and private schools. Again, though, this generalization is made with the same cautions presented concerning the validity of this generalization relative to *reported* discrepancies. The data are insufficient to state with any degree of certainty that such differences in Basic Grant application reviews do exist.

Table 2.15 examines the distribution of actual discrepancies by institution size. As in the case of *reported* discrepancies, there are no significant trends that would indicate that institution size has any association with the nature of confirmed SER errors.

Supporting Documentation

Of particular interest to the Office of Education was the nature of the materials used by institutions to support allegations of SER discrepancies. As indicated in Section 2.2, validation procedures were initiated only when there was evidence to suspect an application error.

Table 2.14

Distribution of Actual SER Discrepancies by Type of Institution Control

Discrepancy Type	Institution Control				
	total %	public % of total	private non-profit % of total	private proprietary % of total	other, unknown % of total
Total	100.00 (N=143)	83.0 (N=137)	13.9 (N=23)	2.4 (N=4)	.6 (N=1)
Adjusted Gross Income	21.8 (N=36)	17.6 (N=29)	3.6 (N=6)	* (N=0)	.6 (N=1)
Adjusted Gross Income (Step Parent)	4.8 (N=8)	4.2 (N=7)	.6 (N=1)	* (N=0)	* (N=0)
All "Other Income" Discrepancies	12.7 (N=21)	12.0 (N=20)	.6 (N=1)	* (N=0)	* (N=0)
All "Taxes Paid" Discrepancies	7.9 (N=13)	7.9 (N=13)	* (N=0)	* (N=0)	* (N=0)
All Family Variables	7.2 (N=12)	4.8 (N=8)	2.4 (N=4)	* (N=0)	* (N=0)
Dependency Status	5.4 (N=9)	5.4 (N=9)	* (N=0)	* (N=0)	* (N=0)
Prior Enrollment	27.9 (N=46)	21.2 (N=35)	4.2 (N=7)	2.4 (N=4)	* (N=0)
Other, nec	12.0 (N=20)	9.7 (N=16)	2.4 (N=4)	* (N=0)	* (N=0)

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Table 2.15

Distribution of Actual SER Discrepancies by Institution Enrollments

Discrepancy Type	Institution Enrollments				
	Total %	less than 1,000 % of total	1,000-5,000 % of total	over 5,000 % of total	other, unknown % of total
Total	100.00 (N=165)	9.7 (N=16)	44.2 (N=73)	38.8 (N=64)	7.3 (N=12)
Adjusted Gross Income	21.8 (N=36)	.6 (N=1)	10.3 (N=17)	10.3 (N=17)	.6 (N=1)
Adjusted Gross Income (Step Parent)	4.8 (N=8)	1.2 (N=2)	1.2 (N=2)	2.4 (N=4)	* (N=0)
All "Other Income" Discrepancies	12.7 (N=21)	.6 (N=1)	0.5 (N=14)	1.8 (N=3)	1.8 (N=3)
All "Taxes Paid" Discrepancies	7.9 (N=12)	.6 (N=1)	2.4 (N=4)	4.8 (N=8)	* (N=0)
All Family Variables	7.2 (N=12)	1.2 (N=2)	4.2 (N=7)	1.8 (N=3)	* (N=0)
Dependency Status	5.5 (N=9)	* (N=0)	2.4 (N=4)	2.4 (N=4)	.6 (N=1)
Prior Enrollment	27.9 (N=46)	2.4 (N=4)	12.0 (N=20)	12.1 (N=18)	2.4 (N=4)
Other, nec	12.0 (N=20)	3.0 (N=5)	3.0 (N=5)	4.2 (N=7)	1.8 (N=3)

Table 2.16 presents the distribution of the major types of documentation used by referring institutions. These data reflect only those cases that were valid for follow-up (143 cases). A total of 149 different documents are recorded because in a few instances the referring institution supported an allegation of misreporting with more than one piece of information.

The most common type of documentation supplied was a high school or postsecondary school transcript (26.2% of all documentation supplied). This reflects the fact that most referrals involved cases of prior enrollment errors.

The second most frequently used formal document was the Educational Testing Service's Parent Confidential Statement. Approximately 14 percent of all cases were referred with this document. This figure is exceeded by those cases supported by "other formal documentation" (17.4%) and "no formal documentation" (21.4%) but in terms of a specific source of information, the ETS form is exceeded in use only by transcripts.

Relative to the number of referrals made, the ETS form is more likely to be used by private non-profit schools (33% of all documents supplied versus 11% of all documents supplied by public schools). Caution is again warranted concerning this observation because of the small numbers involved. Aside from the ETS statement, though, public schools are more likely to use other formal sources of information than are private schools. This is especially so in the "school's own need analysis form" and the "other formal documentation" categories. Other formal documentation included bank statements, Veteran's Benefits statements, and welfare statements. The reason that public schools used these other forms of documentation may be a function of the ease of access public schools have to these documents relative to private schools. On the other hand, this finding may also support the earlier observation that public schools seem to exhibit greater thoroughness in SER reviews.

A word of explanation is needed concerning the "no formal documentation" category (21.4% of all "documentation" supplied). Often these referrals involved zero/low income cases and the validation contractor accepted such cases as valid for follow-up on the

Table 2.16

Distribution of Documentation Used to Support Case Referrals by Type of Institution Control

Documentation	Total %	Public % of Total	Private Non-Profit % of Total	Private, Non-Proprietary % of Total	Other, Unknown % of total
		Institution Control			
Total	100.0 (N=149)	79.2 (N=118)	16.1 (N=24)	2.7 (N=4)	2.0 (N=3)
ETS Parent Confidential Statement	14.1 (N=21)	8.7 (N=13)	5.4 (N=8)	* (N=0)	* (N=0)
Federal Tax Form	12.1 (N=18)	10.0 (N=15)	2.0 (N=3)	* (N=0)	* (N=0)
School's Own Need Analysis Form	8.7 (N=13)	8.0 (N=12)	.7 (N=1)	* (N=0)	* (N=0)
Transcript	26.2 (N=39)	18.8 (N=28)	4.7 (N=7)	2.7 (N=4)	* (N=0)
Other Formal Documentation	17.4 (N=26)	15.4 (N=23)	1.4 (N=2)	* (N=0)	.7 (N=1)
No Formal Documentation	21.4 (N=32)	18.1 (N=27)	2.0 (N=3)	* (N=0)	1.4 (N=2)

a priori assumption that an SER discrepancy was likely. No formal documentation, therefore, was required in these instances. This accounted for 23 of the 32 "no documentation" referrals. The other 9 cases were accepted as valid for follow-up despite the lack of formal documentation because of special circumstances which the validation contractor and the Office of Education deemed sufficient to justify validation efforts. In one case, the applicant reported himself to the validation contractor. In others, the applicants were related to others for whom documentation had been supplied. Finally there was the case previously mentioned of the student who had filed several applications under assumed names and addresses. In no instance was a case pursued without strong evidence of a potential discrepancy.

Two sources of information the Office of Education felt would be used frequently were not used at all. The first of these was ACT's Family Financial Statement; the other, State tax forms.

Finally, Table 2.17 shows the distribution of types of documentation supplied by the size of institutional enrollments. As in the case of the distribution of reported and actual SER discrepancies (Tables 2.13 and 2.15, respectively), size of an institution bears little association with the distribution of the dependent variable. No outstanding differences among institution size and documentation used to support referrals are evident in Table 2.17.

In terms of the discrepancy types supported by various documentation, it has already been pointed out that transcripts were largely utilized in cases of prior enrollment. ETS forms were generally used to support adjusted gross income and multiple discrepancy errors. Of the 21 referrals supported by ETS Parents' Confidential Statements, 14 were adjusted gross income errors (66%) and 5 were multiple discrepancy errors (24%). Federal tax forms were also used in a similar manner. Eleven of the 18 referrals supported by federal tax forms were income cases (61%) and another 7 were multiple discrepancy errors (39%). No other specific documentation form was associated with a particular type of discrepancy.

Of those 17 referrals that were judged not to be in error, only 7 were submitted with specific documentation. An ETS form was involved in one such instance, an institution's own needs analysis form was involved in another, and the other five cases were supported by various other types of documentation. The distribution of these seven cases by institution variables was uninformative and therefore tables exploring these relationships are not presented.

Table 2.17

Distribution of Documentation Used to Support Case Referrals by Institutional Enrollments

Documentation	Total %	Institution Enrollments less than 1,000 % of total	1,000 - 5,000 % of total	more than 5,000 % of total	other, unknown % of total
Total	100.0 (N=149)	9.4 (N=14)	44.3 (N=66)	36.2 (N=54)	10.1 (N=15)
ETS Parent Confidential Statement	14.1 (N=21)	2.7 (N=4)	4.7 (N=7)	6.0 (N=9)	.7 (N=1)
Federal Tax Form	12.1 (N=18)	* (N=0)	6.0 (N=9)	6.0 (N=9)	* (N=0)
Schools' Own Need Analysis Form	8.7 (N=13)	* (N=0)	2.0 (N=3)	3.4 (N=5)	3.4 (N=5)
Transcript	26.2 (N=39)	2.7 (N=4)	11.4 (N=17)	9.4 (N=14)	2.7 (N=4)
Other Formal Documentation	17.4 (N=26)	2.0 (N=13)	6.0 (N=9)	8.0 (N=12)	1.4 (N=2)
No Documentation	21.4 (N=32)	2.0 (N=13)	14.1 (N=21)	3.4 (N=5)	2.0 (N=3)
TOTAL INSTITUTIONS	142	14	63	50	15

Chapter Summary

This chapter presented the findings of Basic Grant application validation procedures undertaken in the Institutional Referral component of the Individual Validation Studies. Of the 521 referrals received to date, closure has been obtained for 159. Of these cases, 143 were considered valid for follow-up. Confirmed SER discrepancies were uncovered in 126 of these 143 cases. Analysis of these referrals resulted in the following observations:

- Institutional response in the validation project was lower than anticipated. One hundred fifty-seven institutions responded. Of this number, only 23 (15%) had enrollments of over 5,000 students and were four year degree granting colleges or universities. Reasons suggested for the overall low response rate included statements by financial aid officers to the effect that 1) institutions did not have the time and/or the resources to do a thorough review of applications; 2) financial aid officers should not be expected to validate grant applications, and 3) the validation project presented ethical problems which at least once financial aid officer felt were objectionable. In addition, a combination of the newness of the validation process as well as guidelines supplied to financial officers to resolve discrepancies at the institutional level also contributed to the lower-than-expected participation rate.
- Cases referred to the validation contractor were generally of five basic types: applicant enrollment in postsecondary schools prior to April, 1973 (21.7%), adjusted gross income errors (43%), errors in reqported dependency status (6.4%) errors involving zero or extremely low incomes (7.9%) and multiple errors (10%). Discrepancies were confimred in 90 percent of all reported cases.
- There was very little evidence of deliverate misreporting. Most confirmed discrepancies involved cases in which the applicant did not fully understand Basic Grant application regulations.
- Corrected Student Eligibility Reports (SERs) were obtained in 82 cases. The average Student Eligibility Index change for these 82 cases was 825 points higher than average initial SEIs.

- Prior enrollment errors were generally characteristic of independent student referrals. A possible explanation for this fact was that most independent students were low income individuals and therefore had a greater incentive to ignore the 1973 application restriction than dependent students who generally come from higher income strata.
- An investigation of adjusted gross income errors revealed that the highest income groups evidenced a greater error rate than the lowest income group. Of the 49 resolved cases indicating incomes over $7,000, 31 had confirmed income errors (63%). In the lowest income groups (incomes under $4,000) only 12 of 66 resolved cases had confimred income errors (18.2%).
- Because dependent students generally came from the higher income strata and independent students from the lower strata, dependent students evidenced higher rates of income errors than independent students. This finding may also be related to the fact that low income applicants were more difficult to validate (e.g., no tax forms available). Consequently, while study findings indicate a higher rate of error among dependent (high income) applicants, this may be an artifact of the validation process.
- Low income applicants evidenced the highest rates of misreporting sources and amounts of non-taxable income. This is related to the fact that low income applicants are more likely to be receiving income of this type than are higher income applicants.
- Most referrals came from public schools. Referrals from private schools were predominantly prior enrollment and multiple discrepancy errors. Public institution referrals on the other hand covered a much wider variety of discrepancy types.
- Of the specific documents used to support allegations of Basic Grant misreporting, the most often used were the Educational Testing Service's Parent Confidential Statements and Federal income tax returns. Interesting enough, no referrals were based upon State income tax forms or the American College Testing Program's Family Financial Need Statements. This observation applied only to those 159 cases which were successfully resolved.
- Overall, validation procedures utilized in the Institutional Referral Study were effective in obtaining SER corrections and documentation as requested. With few exceptions applicant and financial aid officer cooperation in the validation effort was exceptional.

3

PRE-ESTABLISHED CRITERIA STUDY

3.1 Study Overview

The Pre-established Criteria (PEC) Study was undertaken to review and validate a randomly selected number of Basic Grant applications. The applications considered appropriate for inclusion in this phase of the Validation Project contained data entries outside the norm for Basic Grant applications as a whole. The purposes of this study were similar to those of its companion studies, the Internal Revenue Serive (IRS) Sample Study (Volume III of the Basic Grant Validation Study) and the Institution Referral Study. By validating selected applications which a priori had a high likelihood of being in error, some assessment could be made of 1) the degree of actual and potential program abuse; 2) the characteristics of applicants likely to perpetrate such abuse; and 3) procedures for screen- and correcting erroneous applications prior to a determination of applicant eligibility.

However, unlike the IRS sutdy, PEC validation efforts focused on a specific "high risk" population and considerably more application data were examined and reviewed (e.g., number of children in postsecondary schools, non-taxable income, and veteran's educational benefits). Moreover unlike the Institution Referral Study, PEC validation efforts were directed toward a randomly selected group of individuals. This reduced the possibility of bias in the types of discrepancies which were likely to be found. For example, relative to the number of cases processed, a disproportionate number of institution referrals concerned the liability of step-parents in the determination of Basic Grant eligibility. Because of these factors, the PEC study complements the IRS and Institution Referral Studies, and perhaps generated the most insight for identifying procedures to reduce future misreporting.

This chapter includes a brief discussion of the methodology utilized in conducting the Pre-established Criteria Study and a presentation of study findings. A discussion of the effectiveness of study procedures is presented in a separate chapter (Chapter 4).

3.2 Validation Methodology

Definition of the Study Population

The intent of the PEC study was to validate and review Basic Grant applications which had a likelihood of being in error. Therefore, the first task which faced the Office of Education was to develop criteria defining the parameters of the appropriate study group. The procedures used to arrive at these criteria may be discussed in three stages.

Because it is advantageous to review previous efforts in similar areas, the first stage comprised a review of previous or ongoing validation activities. This review encompassed an examination of the relevant literature and several telephone inquiries to institutions and State agencies which administer financial aid programs that, like the Basic Grant Program, are subsidized primarily through public funds. The findings of this review led to the development of a preliminary list of possible criteria.

The second stage of the definitional process involved an exhaustive examination of the Basic Grant application, the processing techniques, and program statistics. From this examination additional criteria were generated to address the following areas:

- Applicants who report outside the norm on data items that have a significant effect on the Student Eligibility Index;
- Application items that might be misinterpreted or misunderstood; and

- Processing procedures thatmight permit particular types of apparent misreporting to be overlooked.

Criteria were arranged in subsets by specific categories of applicant types. The preliminary subsets included criteria:

- relevent to all applicants;
- relevant to applicatns who submitted changes to information initially reported on their BEOG application;
- for applicants who submitted one or more supplemental applications; and
- for applicants who submitted applications in 1974-75 and 1975-76.

The third and final definitional stage entailed a review of the criteria to specify validation procedures for each and to determine the feasibility and practicality of implementing the procedures identified. The feasibility of the validation procedures was assessed according to the extent to which the procedure:

- provided reliable and valid information;
- infringed upon individual privacy;
- would place an unnecessary burden on the respondent;
- agreed/conflicted with OE policy; and
- could be implemented in a reasonable time frame.

The assessment of procedures and the subsequent specification of the pre-established criteria were accomplished through a series of meetings including the OE Basic Grant staff, the Basic Grnat Validation Contractor, and the Basic Grant Processing Contractor. All of the potential criteria were examined in relation to their impact on the eligibility index and the feasibility of implementing validation procedures. It was concluded that although the amount of assets reported could have a significant impact on the determination of the eligibility index, no criteria involving verification of assets would be included. This was decided because it would be almost impossible to make an accurate assessment of assets due to fluctuating market values and the general paucity of officical documentation to support such assessments. However, it was determined appropriate to verify income and tax data because of their critical impact on the eligibility index and the availability of the Federal Income Tax form and W-2 statements. Further, the examination of income and tax data would uncover misinterpretations of the application instructions such as applicants reporting "taxes withheld" instead of "taxes paid."

At the conclusion of these discussions, the following basic criteria were agreed upon and were used to define the universe of applicants to be included in the PEC study:

1. Applicants reporting negative, little or no income and a relatively large household size.
2. Applicants who submitted changes to the adjusted gross income reported originally which resulted in a lower (and thus more favorable) eligibility index.
3. Applicants submitting four or more corrections where the latest eligibility index is lower than the first.
4. Applicants who report a large number of members in the household attending postsecondary institutions.
5. Applicants meeting criteria 1 through 4.

Sampling Procedures

Once the selection criteria were determined, the Basic Grant processors produced counts of eligible applicants meeting each selection criterion. Based on these counts, sample sizes were calculated to provide sample statistics for each criterion category which were subject to no more than ± 5 percent error at a 95 percent level of confidence.

Criterion categories were then stratified into subgroups to increase the probability that validation efforts would focus upon applications most likely to contain erroneous information. Applicants were sampled in proportion to the contribution their stratum made to the total number of applicants in a given criterion category. Sample sizes for each criterion category as well as strata within these categories are presented in Tables 3A.1 - 3A.5 in Appendix A to this chapter.

Applicants were drawn from each stratum using a skip interval appropriate for the sample size required. Entry into the data files was accomplished through a random start. A total of 1,400 applications were selected for review and validation.

Validation Procedures

Validation procedures were initiated on November 21, 1975. At this time, the initial requests were mailed to applicants from each of the pre-established criterion categories. The letter applicants received asked for four major items:

- a notarized copy of the applicant's (or applicant's parents") 1974 income tax return;
- a notarized copy of the applicant's (or aplicant's parents') 1974 W-2 forms;
- a statement confirming the amount of any non-taxable income received in 1974; and
- a statement indicating the school applicant attended.

In addition, those applicants reporting a large number of family members in postsecondary schools were asked to list the names of such individuals and the schools they were attending.

Follow-ups of those individuals who failed to respond to this initial request were conducted similarly to follow-up procedures discussed in Chapter 2 for the Instition Referral Study. However, the first follow-up was sent via regular mail rather than via certified mail. Non-respondents to this first follow-up were then sent a second follow-up via certified mail. Continued non-response resulted in a series of telephone follow-ups until the addressee was either contacted or it was determined that it would be difficult or impossible to reach the individual.

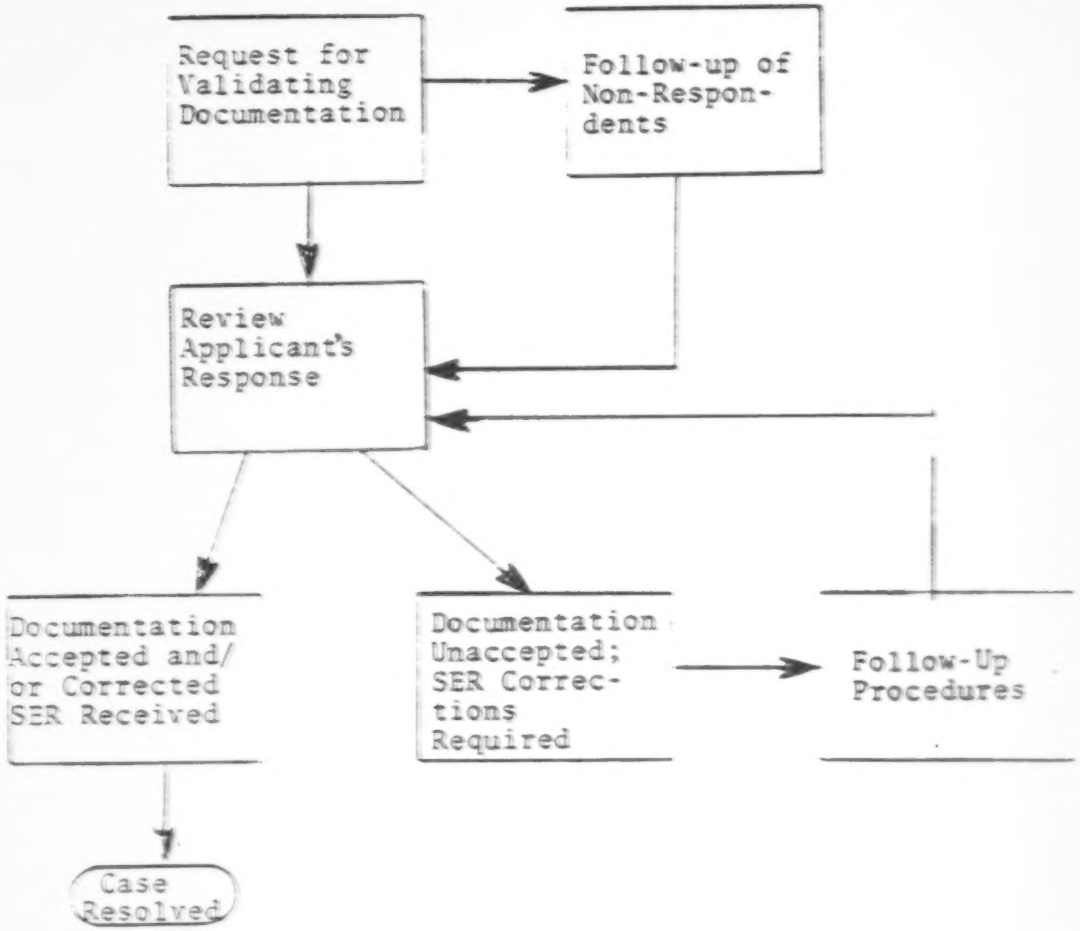
Unlike the procedures used in the Institution Referral Study, no attempt was made to discontinue BEOG disbursements to applicants included in the Pre-established Criteria Study.

When a response to a request was received, a review was made to determine whether the response was acceptable for validation purposes. If the response included supporting documentation for the Student

Eligibility Report (SER) of record, this review assessed whether the documentation was a 1974 income tax return with appropriate 1974 W-2 forms, whether documentaion for non-taxable income had been provided, and whether the materials had been notarized. If documentation was complete, the case was considered resolved and the addressee was sent a letter acknowledging the Office of Education's satisfaction with the materials provided and appreciation for the addressee's cooperation. If the documentation was not acceptable, the addressee was recontacted by letter or telephone, depending upon the nature of the problem, and asked to resubmit the documentation in accordance with specific instructions.

If the response was a corrected SER, the review made certain that the corrections were reasonsable in light of information available to the Office of Education, and that the addressee had signed the SER certification. If the correction was considered acceptable, the SER was forwarded to the BEOG processor for reprocessing. The addressee was sent a letter informing him/her of the acceptability of corrections received and that upon receipt of the new SER, the applicant should present it immediately to his/her financial aid office. A letter was also sent to the applicant's institution to inform the financial aid officer of the changes likely in the applicant's Basic Grant status and to make any adjustments in the disbursement schedule required by the new Student Eligibility Index.

If the SER correction was not acceptable, the addressee was recontacted by letter or telephone and asked to resubmit the SER in accordance with specific Office of Education Instructions. The flow of validation events is summarized schematically as follows:


Request for Validating Documentation
Follow-up of Non-Respondents
Review Applicant's Response
Documentation Accepted and/or Corrected SER Received
Documentation Unaccepted; SER Corrections Required
Follow-Up Procedures
Case Resolved

All data an applicant reported concerning an applicant's financial and personal circumstances and the various transactions which occurred during the validation process were recorded in the document control system described in Chapter 2. Tables included in this chapter were also derived from the table generating program that was a part of this document control system.

For a more complete discussion of procedures used in the Pre-established Criteria Study, Chapter 3 of Volume IV of the Basic Grant Validation Study Final Report (Revised Procedural Manual). An evaluation of these procedures is presented in Chapter 4 of this report.

3.3 Pre-Established Criteria Study Results

The following text is divided into four sections each describing a key area in the analysis of the study data. Section 3.3.1 presents an overview of the analytical approach, section 3.3.2 examines the modes of case resolution and the distribution of unaggregated Student Eligibility Report (SER) errors, section 3.3.3 reviews individual statistics in detail, and section 3.3.4 discusses the distribution of case statistics by selected institution variables. This last section was developed as a point of comparison for the institution data presented in Chapter 2, "Institution Referral Study Results."

3.3.1: Approach to Data Analysis

Like the Institution Referral Study, analysis of Pre-established Criteria Study data was conducted through the use of simple descriptive statistics such as univeriate and joint frequency distributions. Depending on the purpose for which the data are presented, distributions were developed to indicate absolute and/or relative frequencies. Because more data were available for analysis for the Pre-established Criteria Study than for the Institution Referral Study, greater analytical use was made of measure of central tendency in the present chapter. However, as in the previous chapter, no use was made of inferential statistics.

Because the applicants in the Pre-established Criteria Study were selected through probability sampling, population projections based on these study data are justifiable within the limites of confidence for various subgroups presented in Section 3.2. Care should be taken, though, in making such projections because, almost 40 percent of the cases were closed before a determination could be made of the validity of SER information. Whether the absence of definitive resolutions for these individuals introduces systematic bias is not know.

Variables considered in the Pre-established Criteria Study were those directly relevant to the basic sutyd objective presented in the Introduction to this report. Variables were considered which provided information relative to: 1) the degree of actual and potential program abuse; 2) the characteristics of applicants likely to perpetrate such abuse and 3) procedures for screening and correcting errorneous applications.

Independent Variables

The basic independent variables were the criteria by which applications were selected:

- family size of 1-2 persons and income less than or equal to $500; family size of 3-4 persons and income less than or equal to $1000
- family size of 1-2 persons and income between $501-$2000; family size of 3-4 persons and income between $101-$2000
- family size of 5-6 persons and income less than $500
- family size of 5-6 persons and income between $1001-$2000
- negative adjusted gross incomes
- changes in SEr information leading to SEI changes greater than 100 points but less than 250 points
- changes in SER information leading to SEI changes greater than 250 points
- 4-5 SER transaction resulting in Basic Grant eligibility
- 6 or more transaction resulting in Basic Grant eligibility
- family size of 4-5, 4 in postsecondary school
- family size of 5-7, 5 ore more in postsecondary school
- family size of 6-8, 5 ore more in postsecondary school
- family size of 9 ore more, 5-6 in postsecondary school
- family size of 8 or more, 6 or more in postsecondary school
- case appears in all four basic criteria groups

Because analysis of data utilizing all of these separate categories was unwieldy, data were aggregated categories will be described in the subsequent section.

In addition to sampling criteria, three other independent variables were also identified. One of those addressed the personal characteristics of the applicants. This was the dependency status of the individual:

- dependency status
  -- independent applicant
  -- dependent applicant

The other two variables related to characteristics of institutions at which applicants attended. As in the case of the Institution Referral Study, these variables described the type of institution control and the size of institution enrollments:

- type of institution control
  - -- public
  - -- private, non-profit
  - -- private, proprietary
- size of institution enrollments
  - -- less than 1,000
  - -- 1000-5000
  - -- greater than 5,000

Dependent Variables

Whereas the Institution Referral Study examined only two dependent variables, the Pre-established Study analysis considered several dependent variables. The first of these was the incidence of actual SER discrepancies. Categories of this variable are identical to those presented for this variable in the Institution Referral Study:

- actual discrepancies
  - -- adjusted gross income misreported (AGI)
  - -- adjusted gross income misreported - step-parent
  - -- taxes withheld rather than taxes paid
  - -- taxes other than income taxes reported
  - -- errors in reported taxes paid, N.E.C.
  - -- other income[1/] reported as a monthly disbursement
  - -- other income already reported as part of adjusted gross income
  - -- other income (step-parent case)
  - -- Veteran's Benefits reported as other income
  - -- other income issues other than those cited above
  - -- errors in Veteran's Benefits, N.E.C.
  - -- number of family members in post-secondary schools identical with total family size
  - -- number of family members in post-secondary schools includes all children attending schools of any type (elementary, secondary, etc.)
  - -- errors in reported number of family members in post-secondary schools, N.E.C.

[1/] For purposes of Basic Grant applications, "other income" refers to income not reported on Federal or STate income tax returns such as Social Seucrity benefits, welfare, child support, and other non-taxable sources of income.

- -- errors in reported household size
- -- enrollment in postsecondary schools prior to April, 1973.
- -- errors in reported citizensship or immigration status
- -- errors in reported dependency status
- -- errors in reported assets
- -- errors in applicant's reported cash savings
- -- other types of discrepancies, n.e.c.

Another dependent variable is the mode of case resolution. This variable provided information concerning the effectiveness of the pre-established criteria for future validation efforts. Categories of this variable include:

- Mode of case resolution
  - -- not valid for follow-up
  - -- resolved by institutional action
  - -- valid SER correction
  - -- received acceptable documentation
  - -- case times out
  - -- unable to contact student/parent

Due to the nature of the Pre-established Criteria Study, no cases were closed through the first two modes presented above. However, a number of cases were closed by being "time out." A case was closed if three months had elapsed since the time of the last scheduled follow-up procedures and no response had been forthcoming from the applicant. If a case was closed because of an inability to contact the student/parent, this meant that all mailed requests were returned to the validation contractor as undeliverable as addressed and the applicant/parent could not be reached by telephone.

Other dependent variables included:

- mean and absolute adjusted gross income changes
- mean "taxes paid" changes
- mean "other income" changes
- mean and absolute SEI changes
- other mean changes in selected variables (household size, number of family members in postsecondary schools)

3.3.2: Modes of Case Resolution

The Pre-established Criteria Study instituted validation procedures for 1,383 individuals. At the time the data base was closed for report preparation, the validation contractor had received at least one written response from 1,092 addressees. Of the 1,092 persons responding, definitive resolution was obtained for 853. "Definitive resolution" refers to case closure through the receipt of a properly corrected SER, receipt of acceptable documentation supporting original SER information, or a decision by the Office of Education not to pursue case validation efforts.

Table 3.1 presents additional data on the mode of case resolution. The table is developed so that each criterion group used to draw the Pre-established Criteria sample is considered. The relative frequencies refer to row categories and not to the distribution of cases as a whole. As can be readily observed from Table 3.1, a plurality of all cases was closed because the validation contractor could not obtain satisfactory responses prior to the preparation of this report (30.2%). This group and those applicants that the validation contractor was unable to contact constitute the "non-respondents" for this study. It should be noted, though, that despite the "non-respondent" categorization, 239 of these individuals did respond to data requests at least once. However, definitive resolution was not obtained prior to analysis of validation results. Therefore, these 239 cases were closed as "cases timed out." Their files remain active, though, should a response be forthcoming prior to the beginning of the year 1976-77 academic year.

The relative distribution of "timed out" non-respondents is fairly uniform across the pre-established sampling criteria. Only two criteria evidenced substantially greater proportions of cases timed out than others - family size of 5-6 persons; income less than or equal to $500 dollars and family size of 8 or more with 6 or more in postsecondary schools (43.7% and 52%, respectively). Additionally, applicants selected through the negative income criterion demonstrated the lowest proportion of "timed out" cases.

The negative income group also exhibited the largest proportion of cases supplying documentation which supported their Basic Grant application information. Fully 82 percent of all negative income cases presented satisfactory evidence of the validity of their SERs. Cases selected on the basis of SER changes leading to a reduction of the Student Eligibility Index also exhibited relatively high rates of supplying acceptable documentation. Two categories of SEI changes were delineated for this study. The first, changes leading to a reduction in the SEI $\geq 100 < 250$, provided valid documentation in 41 percent of all cases; the second, changes leading to a reduction in the SEI≥ 250, 39.8 percent.

In the other direction, many cases selected on the basis of the reported number of family members attending postsecondary schools exhibited relatively low rates of providing acceptable documentation. The highest rate among the five criterion groups in this category was only 12.5 percent. Because of this fact, it is no surprise that these five criterion groups also had high rates of resolution because applicants submitted valid SER corrections. The highest rate of closure due to the provision of a corrected SER occurred in the group selected because applicants fell within each of the four major sampling groups specified in Section 3.3.1. Fifty-three percent of all cases sampled in this group were closed after submitting a corrected SER.

Finally, Table 3.1 shows that relative to the other major sampling groups, those selected primarily on the basis of low adjusted gross incomes were underrepresented among closures due to valid SER corrections. Twenty percent of all cases in the low income sampling group submitted corrected SERs, compared to 33 percent for the excessive SEI changes group; 28 percent for the multiple SER transaction group; 38 percent for the household size/postsecondary enrollments group; and 53.1 percent for the multiple criteria group.

TABLE 3.1

MODE OF CASE RESOLUTION BY SAMPLING CRITERION GROUPS

Sampling Criteria	Mode of Resolution					
	Total % of row total	Valid SER Correction % of row total	Acceptable Documentation % of row total	Case Timed Out % of row total	OE Resolution % of row total	Unable to Contact Student % of row total
Total	100.00 (N=1383)	29.4 (N=406)	26.9 (N=372)	30.2 (N=417)	5.4 (N=75)	8.2 (N=113)
family size of 1-2, income less than or equal to $500; family size of 3-4, income less than or equal to $1000	100.0 (N=113)	21.2 (N=24)	18.6 (N=21)	30.1 (N=34)	11.5 (N=13)	18.6 (N=21)
family size of 1-2, income between $501-$1000; family size of 3-4, income between $1001-$2000	100.0 (N-50)	16.0 (N=8)	38.0 (N=19)	24.0 (N=12)	8.0 (N=4)	14.0 (N=7)
family size of 5-6 persons, income less than or equal to $500	100.0 (N=197)	23.4 (N=46)	14.7 (N=29)	43.7 (N=86)	7.6 (N=15)	10.7 (N=21)
family size of 5-6 persons, income between $1000 2000	100.0 (N=80)	17.5 (N=14)	22.5 (N=18)	38.8 (N=31)	10.0 (N=8)	11.3 (N=9)
negative adjusted gross income	100.0 (N=50)	12.0 (N=6)	82.0 (N=41)	6.0 (N=3)	* (N=0)	* (N=0)
changes in SER information leading to SEI changes greater than 100 points but less than 250 points	100.0 (N=100)	32.0 (N=32)	41.0 (N=41)	18.0 (N=18)	5.0 (N=5)	4.0 (N=4)
changes in SER information leading to SEI changes greater than 250 points	100.00 (N=299)	33.1 (N=99)	39.8 (N=119)	20.4 (N=61)	3.0 (N=9)	3.7 (N=11)
4-5 SER transactions resulting in Basic Grant Eligibility	100.0 (N=120)	30.0 (N=36)	30.0 (N=36)	31.7 (N=38)	3.3 (N=4)	5.0 (N=6)
6 or more transactions resulting in Basic Grant Eligibility	100.0 (N=75)	25.3 (N=19)	30.7 (N=23)	34.7 (N=26)	2.7 (N=2)	6.7 (N=5)
family size of 4-5, 4 in postsecondary school	100.0 (N=40)	45.0 (N=18)	7.5 (N=3)	32.5 (N=13)	5.0 (N=2)	10.0 (N=4)
family size of 5-7, 5 or more in postsecondary school	100.0 (N=70)	35.7 (N=25)	4.3 (N=3)	34.3 (N=24)	5.7 (N=4)	20.0 (N=14)
family size of 6-8, 5 or more in postsecondary school	100.0 (N=50)	50.0 (N=25)	6.0 (N=3)	36.0 (N=18)	2.0 (N=1)	6.0 (N=3)
family size of 9 or more, 5-6 in postsecondary school	100.0 (N=40)	35.0 (N=14)	12.5 (N=5)	35.0 (N=14)	12.5 (N=5)	5.0 (N=2)
family size of 8 or more, 5 or more in post-secondary school	100.0 (N=50)	28.0 (N=14)	6.0 (N=3)	52.0 (N=26)	4.0 (N=2)	10.0 (N=5)
case appears in all four basic criterion groups	100.0 (N=49)	53.1 (N=26)	16.3 (N=8)	26.5 (N=13)	2.0 (N=1)	2.0 (N=1)

The data presented in Table 3.1 clearly indicate that the negative income criterion is not likely to be an effective indicator of Basic Grant misreporting. Further analysis is required before evaluation can be made of the other sampling criteria. Specifically, information is needed about the rate of misreporting and the kinds of errors associated with each of these other criteria. This information is presented in Tables 3.2 and 3.3. In both of these tables, sampling criteria have been aggregated to simplify the data presentation. These categories are as follows:

- low income level by family sizes of 1-4 persons
- low income level by family sizes of 5-6 persons (including all negative income cases)
- all cases involving SER changes
- all cases involving the relationship between household size and the number of family members in postsecondary education
- all cases with discrepancies in each of the four basic sampling groups

Table 3.2 presents general information on the incidence of SER discrepancies by the aggregated sampling criteria indicated above. These data generally support trends observed in Table 3.1. Those cases selected because of low income levels have the lowest rate of confirmed SER errors of the five aggregated sampling criteria presented. This is consistent with the observation that this group had the lowest rate of resolution via the submission of corrected SERs. However, the low income cases also had high rates of non-response and consequently the actual incidence of error may be much higher.

The confirmed error rate for the other three aggregated categories (SER corrections and transactions, household size and postsecondary school enrollment, and multiple discrepancies) was at least 40 percent or higher. This is so despite the rate

TABLE 3.2

Incidence of Actual SER Discrepancies
by Aggregated Sampling Criteria

Incidence of SER Discrepancies	Aggregated Sampling Criteria					
	Total % of column	Income Level By Family Size (1-4 Persons) % of column	Income Level By Family Size (5 & Persons, Negative Income) % of column	Eligibility Index Changes or More Than 4 SER Transactions % of column	Family Size by Numbers in Post secondary Schools % of column	Multiple Discrepancies % of Column
Total cases	100.0 (N=1383)	100.0 (N=163)	100.0 (N=327)	100.0 (N=594)	100.0 (N=250)	100.0 (N=49)
Total cases with SER discrepancies	35.5 (N=492)	25.8 (N=42)	25.4 (N=83)	39.7 (N=236)	40.8 (N=102)	57.1 (N=28)
Total cases with no actual discrepancies	22.8 (N=316)	23.3 (N=38)	24.8 (N=81)	29.0 (N=172)	7.2 (N=18)	14.3 (N=7)
Total unknown	41.6 (N=576)	50.9 (N=83)	49.8 (N=163)	31.3 (N=186)	52.0 (N=130)	28.6 (N=14)

TABLE 3.3

Distribution of Discrepancy Types by Aggregated Sampling Criteria

Discrepancy Type	Aggregated Sampling Criteria Total % of column	Income Level By Family Size (1-4 Persons) % of column	Income Level By Family Size (5-6 Persons, Negative Income) % of column	Eligibility Index Changes or More Than 4 SER Transactions % of column	Family Size by Number in Post-secondary Schools % of column	Multiple Discrepancies % of Column
Total	100.0 (N=793)	100.0 (N=51)	100.0 (N=109)	100.0 (N=386)	100.0 (N=198)	100.0 (N=49)
Adjustedgross income misreported	27.5 (N=218)	21.6 (N=11)	26.6 (N=29)	31.1 (N=120)	21.2 (N=42)	32.7 (N=16)
Adjustedgross income misreported (step parent)	1.3 (N=10)	* (N=0)	.9 (N=1)	2.1 (N=8)	.5 (N=1)	* (N=0)
Taxes wihhed reported rather tan taxes paid	7.9 (N=63)	2.0 (N=1)	* (N=0)	12.4 (N=48)	5.6 (N=11)	6.1 (N=3)
Taxes oter than income taxes reported	1.8 (N=14)	* (N=0)	.9 (N=1)	2.6 (N=10)	1.0 (N=2)	2.0 (N=1)
Taxes pid, NEC	13.4 (N=106)	5.9 (N=3)	3.7 (N=4)	16.3 (N=63)	10.6 (N=21)	30.6 (N=15)
"Other icome" reported as monthly disbursement	4.2 (N=33)	19.6 (N=10)	17.4 (N=19)	.5 (N=2)	1.0 (N=2)	* (N=0)
"Other icome" included in adjusted gross income	2.5 (N=20)	* (N=0)	4.6 (N=5)	2.6 (N=10)	1.5 (N=3)	4.1 (N=2)

TABLE 3.3 (Continued)

Distribution of Discrepancy Types
by Aggregated Sampling Criteria

Discrepancy Type	Aggregated Sampling Criteria					
	Total % of column	Income Level By Family Size (1-4 Persons) % of column	Income Level By Family Size (5 6 Persons, Negative Income) % of column	Eligibility Index Changes or More Than 4 SER Transactions % of column	Family Size by Number in Post secondary Schools % of column	Multiple Discrepancies % of Column
"Other income" errors, NEC	16.1 (N=128)	39.2 (N=20)	24.8 (N=27)	14.8 (N=57)	9.6 (N=19)	10.2 (N=5)
Veteran's Benefits	1.0 (N=8)	2.0 (N=1)	.9 (N=1)	.5 (N=2)	2.0 (N=4)	* (N=0)
Number of family members in postsecondary schools equal to all children in school	4.5 (N=36)	2.0 (N=1)	.9 (N=1)	.8 (N=3)	15.7 (N=31)	* (N=0)
Number of family members in post-secondary school equals household size	3.4 (N=27)	* (N=0)	* (N=0)	.5 (N=2)	12.6 (N=25)	* (N=0)
Number of family members in post-secondary schools, NEC	5.3 (N=42)	* (N=0)	5.5 (N=6)	3.4 (N=13)	11.1 (N=22)	2.0 (N=1)
Household size errors	5.8 (N=46)	2.0 (N=1)	9.2 (N=10)	6.0 (N=23)	6.6 (N=13)	* (N=0)
Prior enrollment	.4 (N=3)	* (N=0)	* (N=0)	.5 (N=2)	* (N=0)	* (N=0)

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TABLE 3.3 (Continued)

Distribution of Discrepancy Types
by Aggregated Sampling Criteria

Discrepancy Type	Aggregated Sampling Criteria					
	Total % of column	Income Level By Family Size (1-4 Persons) % of column	Income Level By Family Size (5-6 Persons, Negative Income) % of column	Eligibility Index Changes or More Than 4 SER Transactions % of column	Family Size by Number in Post-secondary Schools % of column	Multiple Discrepancies % of Column
Citizenship	.1 (N=1)	* (N=0)	.9 (N=1)	* (N=0)	* (N=0)	* (N=0)
Dependency status	.4 (N=3)	* (N=0)	* (N=0)	* (N=0)	* (N=0)	* (N=0)
Assets	3.0 (N=24)	2.0 (N=1)	2.8 (N=3)	3.9 (N=15)	.5 (N=1)	8.2 (N=4)
Unusual expenses	.1 (N=1)	* (N=0)	* (N=0)	.3 (N=1)	* (N=0)	* (N=0)
Applicant savings	.3 (N=2)	* (N=0)	* (N=0)	.5 (N=2)	* (N=0)	* (N=0)
Other	1.0 (N=8)	3.9 (N=2)	.9 (N=1)	.5 (N=2)	.5 (N=1)	4.1 (N=2)

of non-response and because of this each of these sampling criteria categories proved to be fairly sensitive indicators of misreporting.

The total of 491 confirmed discrepancies exceeds the total of 406 valid SER corrections indicated in Table 3.1 because students with discrepant applications were not always asked to correct their SERs. This occurred because the errors involved would have made a minimal impact on their Student Eligibility Index. This was not an invariant procedure however, and for this reason later tables presenting SEI changes indicate some SER corrections resulting in no SEI change. The decision to ask for changes was based on a consideration of 1) the ease with which the nature of the error could be explained to the applicant; 2) the likelihood of applicant response; and 3) the chronological state of the Validation Study.

Table 3.3 indicates the distribution of actual discrepancy types. These data are based upon the records of the 491 applicants with known SER errors. However, because many applicants had more than one SER error, the total number of SER discrepancies displayed in this table is 793.

The most prevalent error occurred in the reporting of adjusted gross incomes. Fully 27.5 percent of all confirmed discrepancies were of this type. Furthermore, the relative frequency of this error type does not substantially vary from one sampling group to the other.

As an entire category, error in reporting taxes is the second most prevalent discrepancy type. Twenty-three percent of all errors fall into this classification. Tax errors are of two basic types. The first involves those cases in which the applicant did not understand what was meant by federal income taxes. The second involves carelessness and/or negiglence. The first error type merits some discussion. Almost 8 percent of all 793 confirmed SER errors involved instances of applicants reporting federal withholding taxes rather than taxes actually paid. In some cases, the validation contractor found that applicants were confused about this point. Many could not perceive the difference in these two sums, and obtaining corrections required considerable patience and effort.

The other major tax error of this type involved applicants who reported other taxes filed on Form 1040 that technically are not income taxes (tax credits, self-employment taxes, etc.). These, too, were difficult cases to resolve because these taxes and income taxes are so closely associated. SER discrepancies in these instances corroborate the contention made in presenting the Institution Referral Study findings that much Basic Grant misreporting is not deliberate. Rather, applicants simply do not fully understand the nature of the information they are required to report.

A similar point can be made concerning the third most prevalent error type. This involves discrepancies involving "other income" (22.8% of all errors). Other income errors can also be divided into two types: errors of misunderstanding and errors of carelessness/negligence. Included in the first error type are cases in which the applicant reported monthly rather than annual benefits and those in which sources of other income reported by the applicant were already reported as part of their adjusted gross incomes. It is reasonable to assume that errors of this type were not intentional. This is particularly so in the latter instance because such errors reduced the amount of an award for which an applicant is eligible. As examples of this type of overreporting error, several applicants included as "other income" money received from savings, stock dividends, and State income tax returns.

Even in "other income" errors of the second type there is reason to believe applicants simply did not understand Basic Grant application instructions. For example, several students had siblings receiving survivor's benefits which should have been reported on their Basic Grant applications. However, the students didn't understand that benefits accrued to dependent siblings should enter into a determination of their personal entitlements. This same problem occurred in relation to cases involving Aid to Dependent Children.

Errors of the fourth most prevalent type can also be explained in part as a function of misinterpreting Basic Grant instructions. These are errors involving the reporting of family members attending postsecondary schools (13.2% of all SER errors). For example, the validation contractor required applicants selected in the family size/number in postsecondary school sampling criterion groups to supply the names of all family members attending postsecondary schools and the names of the schools they attended. Several applicants responded by listing children attending high schools and elementary schools. Quite clearly they did not understand what was meant by the term "post high school" used on the Basic Grant application form. In one case processed by the Office of Education, an applicant was upset that only students who had graduated from "Post High School" should be singled out on the Basic Grant application. It happened that one of the local high schools in the applicant's community was in fact named Post High School.

Another error of misunderstanding involving the issue of postsecondary school attendance concerned changes that could be legitimately made after a Basic Grant application had been submitted. Basic Grant policy permits SER corrections only if the information on the SER is not consistent with actual facts at the time the application was initially submitted. Some applicants submitted SER corrections to update the number of family members attenting postsecondary schools when changes in this datum occurred without being aware that such changes were disallowed. Errors of this type not only affected those applicants attempting to indicate an increase in family attendance of postsecondary schools, but also those trying to lower this figure because of the failure of a family member to matriculate as planned. In each of these instances, the applicant was instructed to rescind his/her correction so that his/her SER reflected conditions at the time it was initially filed.

Overall, then, a large proportion of errors identified by the validation contractor did not seem to be the result of deliberate attempts to present false information. The only error type that might have included a significant degree of deliberate misreporting involved so-called asset discrepancies. Asset items were not generally validated because of the difficulty in obtaining appropriate information without extraordinary efforts and undue invasion of personal privacy. However, in a few instances asset errors were detected as part of the validation process relative to other SER items. For example, a few applicants submitted tax forms indicating large incomes from interest and dividend sources, but assets on their SERs were reported as minimal. In another instance, an applicant submitted an SER correction indicating a drop in home value of almost 40,000 dollars. These cases were extreme enough to warrant follow-up, and it is these cases which are reflected in Table 3.3.

Two final points should be made concerning Table 3.3. First, "other income" errors represented 50 percent (81 of 160) of all errors identified in the low income sampling categories. This finding supports the data presented in Chapter 2 indicating that low income applicants were not as likely to be in error in terms of the adjusted gross incomes they report as they were to be in error in terms of sources of income not reportable to the Internal Revenue Service. The second point to be made is that 74 percent (78 of 105) of all errors involving the number of family members reported to be attending postsecondary schools were found in that sampling group selected specifically to check this issue. This fact would seem to again confirm the utility of the sampling criteria used to select this group for future Basic Grant Validation studies.

In general, the data confirm the usefulness of all the sampling criteria except that designed to review applicants reporting negative adjusted gross incomes. In addition, the pattern of SER discrepancies uncovered were such that subsequent tables in this chapter utilize the following aggregated discrepancy types for analysis:

- adjusted gross income errors
- taxes paid errors, all types
- "other" income errors, all types
- all household size and postsecondary school offset errors
- all other SER errors

3.3.3: Basic Individual Case Data

The present section examines the scope of and types of misreporting in more detail. Specifically, this section considers the distribution of misreporting by dependency status and the impact of SER corrections on Student Eligibility Indices.

Dependency Status

As indicated in Chapter 2, the Office of Education was interested in differences in Basic Grant misreporting associated with student dependency status. The expectation that such differences might occur was based upon the fact that the eligibility formulae are different for these two groups, and the application information required of independent and dependent students varies somewhat as to how it enters into these formulae. In addition, there was an a priori assumption that independent students differ from dependent students simply as a function of their divergent life circumstances.

Table 3.4 presents the distribution of SER discrepancies by dependency status. The lower part of this table indicates that 39 percent of all dependent students have SER errors while this was true for only 26.2 percent of all independent students. Care should be exercised, though, in attributing significance to this distinction because over 50 percent of all independent cases were closed without a definitive resolution, compared to 32.3 percent for dependent applicants. This distinction is a function of independent students being more transient in their living arrangements and consequently more difficult to contact. Seventeen percent (64 of 382) of all independent cases were closed because the validation contractor could not contact the student in question. This resolution mode occurred in only 3 percent (40 of 1001) of all dependent cases. Therefore, no generalization is justifiable at this time concerning overall differential rates of SER discrepancies between dependent students.

In terms of confirmed discrepancies, Table 3.4 shows that there were few differences in the occurrence of actual error types between dependent and independent students. This is noteworthy because the results of the Institution Referral Studies gave rise to the expectation that differences would occur, particularly in the "adjusted gross income" and "other income" categories. The Pre-established Study data do not support such distinctions. That such differences do not occur may again be related to the high rate of non-response among independent applicants. If that is in fact the case, then further analysis of differential misreporting by dependency status must await additional data from future validation studies.

TABLE 3.4

DISTRIBUTION OF SER DISCREPANCIES BY DEPENDENCY STATUS

Discrepancy Type	Dependency Status	
	Dependent % of column	Independent % of column
Total	100.0 (N=645)	100.0 (N=148)
Adjusted gross income	29.5 (N=190)	25.7 (N=38)
Taxes paid	24.5 (N=158)	16.9 (N=25)
"Other income"	22.3 (N=144)	25.0 (N=37)
Family size and postsecondary school offsets	17.7 (N=114)	25.0 (N=37)
Other, NEC	6.0 (N=39)	7.4 (N=11)
Total cases	100.0 (N=1001)	100.0 (N=382)
Total cases w/discrepancies	39.0 (N=391)	26.2 (N=100)
Total case w/o discrepancies	28.8 (N=288)	22.0 (N=84)
Total unknown	32.2 (N=322)	51.8 (N=198)

Changes in Eligibility Index

One of the critical questions of the Basic Validation Study was the extent to which misreporting of applicant information biases the disbursement of Basic Grant awards. This can be best answered by examining the changes in an applicants Student Eligibility Index (SEI) that occurred after his/her SER was submitted for correction. The validation contractor processed 406 SER corrections, of which 360 were reprocessed in time for inclusion in this report. Tables presented in this section refer to these 360 corrected SERs.

The degree to which SEIs changed in these 360 cases is presented in Table 3.5. As is the case of SEI changes in the Institution Referral Study, Pre-established Criteria Study SEI changes are basically bimodal. A plurality of corrected SERs (47.2 percent) resulted in no SEI change at all while 26.1 percent resulted in SEI changes of over 300 points. Overall 44.4 percent (160 of 360) of those SER corrections reflected in Table 3.5 resulted in lowered Basic Grant disbursements. Eight percent (30 of 360) resulted in increases.

The magnitude of Student Eligibility Index changes is presented as a function of aggregated sampling criteria in Table 3.6 The majority of SER corrections in the two low income groups resulted in no SEI changes whatsoever (65.5 percent and 88.7 percent for each group, respectively).

On the other hand, a near plurality or a clear majority of SER corrections in the other three sampling groups resulted in SEI changes in excess of 100 points (44.4 percent for multiple SER transactions; 39.5 percent for family size/ number in postsecondary schools; 60.7 percent for multiple criteria cases). That corrections from low income applicants should have so little impact on eligibility indices may be explained by the fact that increases in reported sources of income are negated by various offsets, particularly family size.

Mean SEI changes are indicated in Table 3.7. Mean changes are presented by aggregated sampling criteria with one figure for

TABLE 3.5

DISTRIBUTION OF SEI CHANGES
PRE-ESTABLISHED CRITERIA STUDY

Level of SEI Change	Frequency of Occurrence %
Increase of more than 300	26.1 (N=94)
201-300	4.2 (N=15)
101-200	7.0 (N=25)
51-100	3.1 (N=11)
26-50	3.1 (N=11)
1-25	1.1 (N=4)
0	47.2 (N=170)
1-25	* (N=0)
26-50	1.4 (N=5)
51-100	1.7 (N=6)
100-200	2.2 (N=8)
201-300	.8 (N=3)
Decrease of more than 300	2.2 (N=8)
TOTAL	100.0 (N=360)

TABLE 3.6

DISTRIBUTION OF KEY CATEGORIES OF SEI CHANGES BY AGGREGATED SAMPLING CRITERIA

Key SEI Change Category	Aggregated Sampling Criteria					
	Total % of column	Income Level By Family Size (1 4 Persons) % of column	Income Level By Family Size (5 6 Persons, Negative Income) % of column	Eligibility Index Changes or More Than 4 SER Transactions % of column	Family Size by Number in Post secondary Schools % of column	Multiple Discrepancies % of Column
Total	100.0 (N=360)	100.0 (N=29)	100.0 (N=62)	100.0 (N=160)	100.0 (N=36)	100.0 (N=23)
Changes greater than 100 points	37.2 (N=134)	34.5 (N=10)	8.0 (N=5)	44.4 (N=71)	39.5 (N=34)	60.7 (N=14)
Changes less than 100 points but greater than 0	7.2 (N=26)	* (N=0)	1.6 (N=1)	12.5 (N=20)	2.3 (N=2)	13.0 (N=3)
No changes	47.2 (N=170)	65.5 (N=19)	88.7 (N=55)	31.9 (N=51)	46.5 (N=40)	21.7 (N=5)
Negative SEI changes	8.3 (N=30)	* (N=0)	1.6 (N=1)	11.3 (N=18)	11.6 (N=10)	4.3 (N=1)

TABLE 3.7

MEAN SEI CHANGES BY
AGGREGATED SAMPLIMG CRITERIA

Mean Eligibility Index Changes	Aggregated Sampling Criteria					
	Total	Income Level By Family Size (1-4 Persons)	Income Level By Family Size (5-6 Persons, Negative Income)	Eligibility Index Changes or More Than 4 SER Transactions	Family Size by Number in Post-secondary Schools	Multiple Discrepancies
Total cases	294 (N=360)	343 (N= 29)	70 (N=62)	413 (N=160)	215 (N=86)	310 (N=23)
Cases w/final index greater than initial index	702 (N=160)	996 (N=10)	732 (N=6)	771 (N=91)	557 (N=36)	449 (N=17)
Cases w/final index less than initial index	207 (N=30)	* (N=0)	27 (N=1)	229 (N=18)	154 (N=10)	517 (N=1)

all SER changes regardless of the magnitude and direction of SEI changes; another figure for changes in which the final SEI was greater than the initial SEI (overpayments); and those cases in which the final SEI was less than the initial SEI (underpayments). Care should be exercised in interpreting these averages because of the relatively small numbers upon which they are based and because of the non-normal nature of the distribution of SEI changes. Nevertheless, these data do provide a reasonable summary of the scope of misreporting uncovered during the conduct of the Pre-established Criteria Study.

An interesting aspect of the data presented in Table 3.7 is that low income cases in which the final SEI was greater than the initial SEI evidenced very high mean SEI changes (996 and 732 for each low income group, respectively). Therefore, despite the fact that most SER corrections obtained from applicants in these two categories resulted in no SEI change, for those in which changes occurred such changes were extensive. Another sampling group which also evidenced a high mean SEI change for cases in which the final index was greater than the initial index was the group selected for multiple SER transactions. In this group the mean change was 772 points.

Table 3.8 indicates the magnitude of changes in certain SER data items which led to changes in eligibility indices. Data items examined include adjusted gross income, taxes paid, non-taxable income, number of family members attending postsecondary schools, and household. For each data item, figures are presented which show the mean change in these items as initially reported on erroneous SERs and as finally reported on corrected SERs. Figures are also presented to show mean changes in each of these data items in those cases in which the data were underreported and those cases in which they were overreported. These are summary data and do not reflect differences which occurred by the various sampling criteria. Two items are particularly noteworthy in this table. First, the

TABLE 3.8

MEAN DATA CHANGES ON STUDENT ELIGIBILITY REPORTS

Data Elements	Mean Changes		
	Overall Mean Change	Mean Change for Final Datum Greater Than Initial	Mean Change for Final Datum Less Than Initial
Changes in adjusted gross income	$1767 (N=221)	$3228 t (N=151)	$1562 (N=62)
Changes in taxes paid	$ 95 (N=180)	$ 563 (N=54)	$ 381 t (N=125)
Changes in "other income"	$1320 (N=177)	$2207 t (N=122)	$ 796 (N=45)
Changes in number of family members attending postsecondary schools	3.2 (N=104)	1.1 (N=7)	3.7 t (N=92)
Changes in household size	.8 (N=45)	1.7 (N=17)	2.6 t (N=26)

t = Changes which resulted in increased SEI and lowered Basic Grant awards.

magnitude of "other income" changes is substantial. Such changes have nearly as much impact on SEIs as do changes in adjusted gross income. The second item of interest is the average change in the reported number of family members attending postsecondary schools. In those cases in which applicants overreported this information, the average change was almost 4 persons per household. These two points reinforce earlier emphasis on the importance of "other income" and postsecondary enrollments as key items to consider in the validation of Basic Grant applications.

3.3.4: Institution Statistics

Chapter 2 (Institution Referral Study) included considerable information on the scope and degree of Basic Grant misreporting as a function of institution variables. Data presented in this section reexamine this issue in order to view possible associations between institution types and Basic Grant misreporting from a perspective less likely to be affected by sampling bias.

The information obtained in the Institution Referral Study seemed to indicate that public schools were more comprehensive than their privately-owned counterparts in reviewing applications for financial assistance. This may have simply been a result of students attending public schools having a disproportionately higher rate of misreporting than students in private schools. It was also observed in Chapter 2 that enrollment size did not seem to affect the nature or the relative number of cases of misreporting referred by various institutions. This, too, may have been a consequence of differential reviewing procedures that tended to mask differences in the occurrence of Basic Grant misreporting by size of institution enrollments. That is, differences in misreporting may exist as a function of institution enrollments but relatively lax reviewing procedures in schools of one size due to budget and manpower constraints make it appear that misreporting does not vary by institution size. Data in this section were developed to permit an assessment of the accuracy of generalizations made in Chapter 2.

Institution Control

One of the two institution variables of concern was the nature of institution control. Three types of control were identified: public institutions, private non-profit institutions, and proprietary schools. The incidence of cases with actual discrepancies by these categories of institution control is presented in Table 3.9. Care should be exercised in interpreting these data because 47 percent of all Pre-established Criteria cases were closed without a determination of the type of schools these applicants attended. In addition, there were very few cases from private proprietary schools. These considerations aside, though, the data in Table 3.14 indicate that between public and private non-profit institutions the incidence of Basic Grant misreporting is essentially the same (53.7% and 54.7%, respectively). Students in private non-profit institutions, on the other hand, proved to be the easiest to obtain a definitive resolution as to whether their SERs contained accurate information once contact had been established with an applicant. That is, 11 percent of students in private non-profit schools failed to provide appropriate information after an initial response had been obtained by the validation contractor.[1] This is to be compared to a similar figure of 18.4 percent of students in public institutions and 36.7 percent of students in private proprietary schools.

Having established that the incidence of Basic Grant misreporting is similar among schools under differing modes of control,[2] the next step is to examine the distribution of actual discrepancy types. These data are presented in Table 3.10. This table is based upon the 793 SER discrepancies uncovered by the validation contractor in 491 applications.

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[1] See page 3.14 for a discussion of cases included in the "Unknown Case Closed w/o Response" category.

[2] Data concerning private proprietary schools are insufficient to conclude otherwise.

TABLE 3.9

Incidence of SER Errors by
Type of Institution Control

Discrepancy Incidence	Type of Institution Control				
	Total % of column	Public % of column	Private, Non-Profit % of column	Private, Proprietary % of column	Other Unknown % of column
Total Cases	100.0 (N=1383)	100.0 (N=512)	100.0 (N=172)	100.0 (N=49)	100.0 (N=650)
Total Cases w/ Actual Discrepancies	35.5 (N=491)	53.7 (N=275)	54.7 (N=94)	36.7 (N=18)	16.0 (N=104)
Total Cases w/o Actual Discrepancies	22.8 (N=316)	27.9 (N=143)	34.3 (N=59)	26.5 (N=13)	15.5 (N=101)
Unknown, Case Closed w/o Response;	41.6 (N=576)	18.4 (N=94)	11.0 (N=19)	36.7 (N=18)	68.5 (N=445)

TABLE 3.10

Distribution of Types of SER Discrepancies by Type of Institution Control

Discrepancy Types	Type of Institution Control				
	Total % of column	Public % of column	Private Non-Profit % of column	Private Proprietary % of column	Other Unknown % of column
Total Cases	100.0 (N=793)	100.0 (N=446)	100.0 (N=156)	100.0 (N=25)	100.0 (N=166)
Adjusted Gross Income Errors	28.8 (N=228)	27.1 (N=121)	30.8 (N=48)	28.0 (N=7)	31.3 (N=52)
Taxes Paid Errors	23.1 (N=183)	20.2 (N=90)	28.8 (N=45)	32.0 (N=8)	24.1 (N=40)
"Other Income" Errors	22.8 (N=181)	27.4 (N=122)	15.4 (N=24)	16.0 (N=4)	21.7 (N=36)
Household Size and Postsecondary School Offset Errors	19.0 (N=151)	19.5 (N=87)	15.4 (N=24)	16.0 (N=4)	21.7 (N=36)
All Other SER Errors	6.3 (N=50)	5.8 (N=26)	9.6 (N=15)	8.0 (N=2)	4.2 (N=7)

Again, the rate of non-response makes generalizations from these data difficult. However, the pattern of misreporting which seems to emerge from an inspection of Table 3.10 indicates a slight tendency for errors involving "other income" and household size/ postsecondary school offsets to be most characteristic of public institutions. Errors in adjusted gross income and taxes, on the other hand, predominate among private schools. Differences in most instances are slight, but the trend is noteworthy in light of Institution Referral Study findings (Chapter 2) which indicated that public schools were more likely to report errors of the former types than were private schools. In the case of the Institution Referral Study, this difference was attributed to a differential comprehensiveness in financial aid application reviews between financial aid personnel in public schools relative to those in private schools. While the data in Table 3.10 do not necessarily refute this conjecture, they nevertheless indicate that one reason public schools _may_ report "other income" errors and household size postsecondary enrollment offset errors more often than private schools is simply because these errors are more prevalent among students attending public schools.

In summary, an examination of SER discrepancies by type of institution control reveals that the _incidence_ of misreporting does not vary as a function of institutionalized control but the _type_ of errors may. The first finding supports data derived from the Institution Referral Study. The second finding would seem to modify the Institution Referral Study results. Both findings relate to the observation made in the Institution Referral Study concerning possible differences in the comprehensiveness of financial assistance applications reviews on the part of financial aid personnel in public versus private schools.

Institution Enrollments

The second institution variable considered in this report is the size of institution enrollments. Three size categories were established for investigation-schools with enrollments of less than 1,000; those with enrollments between 1,000 and 5,000; and those with enrollments over 5,000. Table 3.11 presents data concerning the incidence of SER discrepancies by institution enrollment size. These data show that the incidence of misreporting does not substantially differ between schools with enrollments of 1,000-5,000 and those with enrollments of 5,000 (60.2% and 55.3%, respectively). However, schools with enrollments of less than 1,000 students exhibited a misreporting rate of only 44.9 percent. The difference between these figures is not statistically significant and again the large "Other, Unknown" category must be considered. Nevertheless, no difference of this magnitude was observed in terms of number of valid cases referred to the validation contractor during the conduct of the Institution Referral Study. The difference may indicate that financial aid personnel at larger schools are not as familiar with financial aid recipients as are financial personnel at smaller schools and that is why despite an apparently higher incidence of Basic Grant misreporting larger schools were, on a relative basis, only able to refer as many applicants in the conduct of the Institution Referral Study as smaller schools. These differences may also reflect differential resources available to financial aid officers to monitor aid applications. Resolution of this issue must await further research and application validation. At present, these speculations must be considered hypotheses for verification.

The final table in this chapter examines the distribution of aggregated discrepancy types by size of school enrollments (Table 3.12). These data clearly show that there is no substantial variations in the occurrence of types of misreporting by size of school enrollments. This is in agreement with the findings of the Institution Referral Study. Therefore, while the data presented in Table 3.11 indicate that the incidence of misreporting may be associated with school size, such is not the case with specific discrepancy types.

TABLE 3.11

Incidence of SER Errors by Type of Institution Control

Discrepancy Incidence		Institution Enrollment Size			
	Total % of column	Less than 1,000 % of column	1,000-5,000 % of column	Over 5000 % of column	Other, Unknown % of column
Total Cases	100.0 (N=1383)	100.0 N=158)	100.0 (N=289)	100.0 (N=228)	100.0 (N=708)
Total Cases w/ Actual Discrepancies	35.5 (N=491)	44.9 (N=71)	60.2 (N=174)	55.3 (N=126)	16.9 (N=120)
Total Cases w/o Actual Discrepancies	22.8 (N=316)	43.0 (N=68)	24.6 (N=71)	28.5 (N=65)	15.8 (N=112)
Unknown, Case Closed w/o Response	41.6 (N=576)	12.0 (N=19)	15.2 (N=44)	16.2 (N=37)	67.2 (N=476)

TABLE 3.12

Distribution of Types of SER Discrepancies
by Type of Institution Control

Discrepancy Types	Institution Enrollment Size				
	Total % of column	Less than 1,000 % of column	1000 5000 % of column	Over 5000 % of column	Other Unknown % of column
Total Cases	100.0 (N=793)	100.0 (N=119)	100.0 (N-283)	100.0 (N-204)	100.0 (N-187)
Adjusted Gross Income Errors	28.8 (N-228)	25.2 (N-30)	27.9 (N=79)	30.8 (N-63)	29.9 (N-56)
Taxes Paid Errors	23.1 (N-183)	22.7 (N-27)	22.6 (N-64)	27.5 (N-56)	23.5 (N-44)
"Other Income" Errors	22.8 (N-181)	26.9 (N-32)	24.4 (N-69)	22.1 (N45)	18.7 (N-35)
Household Size and Postsecondary School Offset Errors	19.0 (N-151)	16.8 (N-20)	20.1 (N-57)	16.2 (N-33)	22.5 (N-42)
All Other SER Errors	6.3 (N-50)	8.4 (N-10)	4.9 (N-14)	7.4 (N-15)	5.9 (N-11)

3.3.5: Chapter Summary

The Pre-established Criteria Study validated Basic Grant applications of 1383 students selected on the basis of criteria which a priori were believed to indicate a high probability of error. These criteria included those applicants with 1) very low adjusted gross income, 2) those who submitted SER corrections resulting in substantially reduced eligibility indices, 3) those who had 4 or more SER transactions, 4) those who reported large post-secondary school offsets and 5) those who met all the preceding crideria.

Of the 1383 applications selected, written responses were obtained from 1,092 individuals. Definitive resolution was established for 853. Of these 853 cases, 406 submitted corrected SERs, 372 provided acceptable documentation supporting data on their original SERs, and 75 were resolved as a result of OE policy decisions. An examination of responses revealed the following observations:

- The lowest rates of confirmed misreporting occurred in those criterion groups selected on the basis of reported low adjusted gross incomes. These groups also exhibited the highest rates of non-response.
- The most prevalent SER error involved adjusted gross incomes. Twenty-seven percent of all confirmed errors were of this type. "Other income" errors, however, were also quite numerous, accounting for 22.8 percent of all errors.
- While adjusted gross income errors were evenly distributed across sampling groups, "other income" errors account for 50 percent of all errors in the two low income groups.
- Errors in reporting "other income" and the number of family members attending postsecondary schools were largely a result of applicants' misunderstanding of the information appropriate for each of these items. Many individuals reported "other income" as a monthly disbursement rather than as an annual sum. Others reported interest and dividends as "other income" when these amounts were already reported as a part of their adjusted gross incomes. "Post high school," a term used on the Basic Grant application appeared to be confusing to applicants because in several cases individuals cited as attending post high school institutions included grade schools and high school students.

- Dependent students had a higher rate of confirmed misreporting than independent students. However, independent students had a much higher rate of non-response than dependent students. There were few differences in the distribution of discrepancy types associated with dependency status.
- Of the 360 SER corrections processed in time for inclusion in this report, 160 resulted in increased eligibility indices (lowered Basic Grant disbursements). One hundred thirty-five of these resulted in index changes of over 100 points. Overall, the average SEI change for the 1383 cases validated in the Pre-established Criteria Study was estimated to be 119 points.
- Averages changes in "other income" were almost as large as average changes in adjusted income among those applicants submitting corrected SERs. For those applicants overreporting the number of family members attending postsecondary schools, the average number of individuals overreported was approximately 4.
- Public schools exhibited higher rates of "other income" and household size postsecondary school offset errors; private schools exhibited higher rates of adjusted income and tax errors.
- Schools with small enrollment evidenced to a lower incidence of misreporting than larger schools, but the distribution of specific discrepancy types was generally uniform across categories of school enrollment sizes.
- The pre-established sampling criteria were effective in identifying erroneous Basic Grant applications with the exception of the negative income criterion.

APPENDIX 3A

Strata Sample Counts for the Pre Established Selection Criteria

TABLE 3A.1

CRITERION: NEGATIVE, LETTLE, OR NO INCOME BY HOUSEHOLD SIZE

Strata	Sample Size	Sampling Error
family size 1-2; income 0-$500 family size 3-4; income 0-$1000	120 (N=50,827	±9%
family size 5-6+; income 0-$500	200 (N=14,392)	±7%
family size 1-2; income $501-$2000 family size 3-4; income $1001-$2000	50 (N=85,593)	±14%
family size 5-6+; income $501-$2000	80 (N=19,856)	±11%
Negative adjusted gross income	50 (N=329)	±12%
Total	550 (N=171,017)	±4.3%

TABLE 3A.2

CRITERION: CHANGES IN ADJUSTED GROSS INCOME LOWERING STUDENT ELIGIBILITY INDEX

Strata	Sample Size	Sampling Error
Changes in SEI < 250 points	107 (N=8,723)	±9%
Changes in SEI ≥ 250 points	294 (N=24,037)	±6%
Total Sample	401 (N=32,760)	±5%

TABLE 3A.3

CRITERION: FOUR OR MORE STUDENT ELIGIBILITY REPORT CORRECTIONS RESULTING IN ELIGIBILITY

Strata	Sample Size	Sampling Error
4-5 SER transactions	65 (N=1,678)	±12%
6-6+ SER transactions	135 (N=393)	±6.3%
Total Sample	200 (N=2,071)	±7.1%

TABLE 3A.4

CRITERION: APPLICANTS REPORTING LARGE NUMBER OF HOUSEHOLD MEMBERS IN POSTSECONDARY SCHOOLS BY FAMILY SIZE

Strata	Sample Size	Sampling Error
family size, 4-5; number in school, 4	40 (N=2,378)	±16%
family size, 5; number in school 5; family size 6, number in school 6; family size 7, number in school 7	70 (N=292)	±10%
family size 6-8, number in school 5; family size 7-8, number in school 6	50 (N=4,748)	±14%
family size 9-12+, number in school 5-6	40 (N=1,841)	±15%
family size 8-12+, number in school 6+	50 (N=121)	±10%
Total Sample	250 (N=9,380)	±6.3%

TABLE 3A.5

CRITERION: APPLICANTS MEETING CRITERIA 1-4		
	Sample Size	Sampling Error
Total Sample	50 (N=418)	±12.6%

4

ANALYSIS OF INDIVIDUAL VALIDATION PROCEDURES

4.1 Introduction

The Individual Validation findings presented represent the principle focus of this volume of the Basic Grant Validation Study Final Report. The procedures used in both the Institution Referral and Pre-established Criteria studies were developed in accordance with what the Office of Education and the validation contractor believed to be required to conduct individual application validations. These procedures, therefore, must be viewed as a first iteration in an effort to develop the most efficient and effective validation process possible without violating an individual's rights to privacy and freedom from undue governmental harassment.

This chapter reviews the procedures utilized in these studies to determine those aspects of the validation process that should be retained and those which should be replaced or modified. To conduct such a review, analysis was undertaken of validation transactions[1/] much in the same manner that the previous chapters examined reported and actual Student Eligibility Report (SER) discrepancies. Section 4.2 discusses the methodological approach to the procedural review and sections 4.3 and 4.4 consider specific

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[1/] For the purposes of this report, a transaction is defined as any communication of information between or among the principles of the Individual Validation Studies (applicant/parents, Office of Education, BEOG processor, the validation contractor, and financial aid officers). Transactions were conducted either by mail or telephone.

reviews of the Institution Referral and Pre-established Criteria validation procedures, respectively.

4.2: Review Methodology

Ideally, an effective analysis of validation procedures would have made use of two or more different validation approaches and an analysis undertaken of the differential response rates associated with each method. In addition, a pre-test of the proposed procedures would have been most useful. However, such an approach was not possible in that there was no time to test alternatives before the actual validation process began and once procedures were implemented consistency in handling cases was paramount.

Therefore, the approach to procedures evaluation adopted by the validation contractor was to examine simple frequency distributions of various types of responses in an attempt to uncover trends or bottlenecks in the procedures which may be considered in future validation efforts. Specific research questions which were addressed in examining these frequency distributions included:

- How many transactions were required to resolve a referral and did this vary as a function of discrepancy types?
- How effective was the initial request for clarifying information in terms of 1) the clarity of the request to elicit responses without additional follow-up?
- How effective was the practice of mailing follow-up requests via certified mail in terms of 1) the quality of the response received and 2) the ability of a certified letter to elicit a reply from non-respondents?
- Were there any particular difficulties in obtaining corrected SERs from students once a reported discrepancy was determined to be an actual error?
- What particular difficulties were encountered in conducting validation transactions in general?
- Were the procedures sensitive enough to avoid unnecessary hostility and/or apprehension on the part of applicants contacted?

Independent Variables

The validation contractor developed a series of tables which examined transactions in terms of one basic independent variable for each of the two Individual Validation Studies components. For the Institution Referral Study, the independent variable was reported discrepancies. The categories of this variable are the same as those outlined in Chapter 2 with one exception. Reported adjusted gross income errors were split into those involving step-parent cases and all others. In this chapter, Institution Referral reported discrepancies are:

- prior enrollment errors
- adjusted gross income errors (step-parent cases)
- all other adjusted gross income errors
- dependency status errors
- multiple discrepancies
- zero/low income errors
- all others, N.E.C.

For the Pre-established Criteria Study, the comparable independent variable was the selection criteria by which cases were chosen for validation. Categories of this variable are the same as those presented in Chapter 3:

- low income, small household size
- low income, moderate to large household size (including negative adjusted gross income cases)
- multiple SER transactions; SER transactions resulting in drastically lowered SEIs
- low income, household size and number of persons attending postsecondary schools equal or nearly so
- applicants meeting all of the above criteria

Transactions were not presented as a function of actual SER discrepancies because such tables were largely uninformative and were of little value relative to the objectives of this chapter.

Dependent Variables

Tables in this chapter examined only one dependent measure, and that was the frequency with which a given transaction occurred. There were numerous transactions types, some of which applied mainly to Institution Referral cases, others to Pre-established Criteria cases. Rather than develop a separate listing of transaction types for each study type, a single compilation is presented:

- initial requests for data
- first reminder (certified letter for IR cases)
- second reminder (certified letter for PEC cases; telephone for IR cases)
- third and fourth reminders (telephone)
- acceptable primary documentation received
- erroneous primary documentation received
- acceptable alternate documentation received
- erroneous alternate documentation received
- acceptable SER correction received
- received SER correction in error
- letters to institution
- requests for information clarification
- grant permission to supply alternate documentation
- request permission to correct SER
- letter verifying SER corrections made by validation contractor
- request to sign corrected SER
- send SER to BEOG processor
- send copy of SER to applicant/parent
- instructions to correct erroneous SER or erroneous documentation
- reminders to requests for corrections
- letters confirming accuracy of data supplied (acknowledgments)
- letters to expect new SER/award adjustment
- other communications (telephone)

This list of possible transactions is lengthy. Distinction of transaction types was actually more refined for data recording operations, but for the purposes of this report, this enumeration is sufficient to indicate the procedural issues of concern to the Office of Education. It should be further noted that distinctions were made among transaction types as to who initiated a transaction (validation contractor, institution, applicant/parent, or Office of Education) and the mode by which the transaction was made (telephone or letter).

Tables examining transactions do not examine all categories simultaneously. Rather, transaction categories are examined selectively depending upon the evaluation issue of concern.

4.3: Institution Referral Procedures

Data presented in this section generally refer only to those cases which were determined to be valid for follow-up and were processed by the validation contractor. Therefore, of the 143 cases that were valid for follow-up only 117 are reflected in most tables in this component of the report.[1/]

Validation procedures in the Institution Referral letter consisted of an initial request for either an SER correction or documentation supporting the SER in question. This initial request was followed up with a second request sent by certified mail. The second and final scheduled follow-up was by telephone. In certain circumstances, additional follow-ups were conducted if, in the opinion of the validation contractor, such efforts would likely prove effective in obtaining a response. Table 4.1 indicates the distribution of initial and follow-up requests for information by categories of reported discrepancy types. Levels of the dependent variable (transactions) are mutually exclusive; that is, all those indicated as receiving an initial request are those individuals

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[1/] Of these 143 cases, 26 were resolved at the institution level. Therefore only 117 cases actually underwent validation procedures initiated by the validation contractor.

TABLE 4.1

Distribution of Initial and Follow-Up Requests for Information by Categories of Reported Discrepancy Types *

	Reported Discrepancy Types							
Requests for Information	Total % of column	Prior Enrollment % of column	AGI Step Parent % of column	AGI All Others % of column	Dependency Status % of column	Multiple Discrepancies % of column	Zero/Low Income % of column	All Others % of column
Total	100.0 (N=117)	100.0 (N=34)	100.0 (N=8)	100.0 (N=19)	100.0 (N=4)	100.0 (N=18)	100.0 (N=24)	100.0 (N=10)
Initial Request	52.1 (N=61)	50.0 (N=17)	37.5 (N=3)	47.4 (N=9)	75.0 (N=3)	50.0 (N=9)	58.3 (N=14)	60.0 (N=6)
First follow-up (certified letter)	29.9 (N=35)	29.4 (N=10)	62.5 (N=5)	26.3 (N=5)	25.0 (N=1)	22.2 (N=4)	29.2 (N=7)	30.0 (N=3)
Second follow-up (telephone)	7.7 (N=9)	5.9 (N=2)	* (N=0)	10.5 (N=2)	* (N=0)	11.1 (N=2)	12.5 (N=3)	* (N=0)
Additional follow-up	10.3 (N=12)	14.7 (N=5)	* (N=0)	15.8 (N=3)	* (N=0)	16.7 (N=3)	* (N=0)	10.0 (N=1)

who received only that request and nothing in addition. Likewise, those indicated as receiving an initial request and a first follow-up received these two requests and nothing in addition. Therefore, a determination can be made of how effective each request for data was relative to the number of cases receiving that request.

Of the 117 applicants asked to supply information 61 (52.1 percent) responded in one way or another after the initial request. Certified follow-ups were mailed to 56 individuals, and of this group, responses were received from 35 (62.5 percent). Nine of the remaining 21 non-respondents submitted materials after the second telephone follow-up (42.8 percent) and the remaining 12 responded after three or more follow-up attempts.

For the most part, differences in response to the various requests for information were slight. Applicants reported for errors in dependency status had the highest rate of response to initial requests (75 percent) but this is on the basis of only 4 cases. Other differences in response rates also reflect small sample sizes. Overall 82 percent of all applicants included in this table responded either to the initial request or the certified follow-up.[1/] Given the nature of the requests made and the reasons for these requests, this response pattern was somewhat surprising.

Most addressees evidenced little difficulty in understanding the rather complicated letters and instructions sent to them. The validation contractor received only 24 communications asking for a clarification of requests for information and most of these referred to subsequent transactions that occurred after applicants had responded to the initial data request.

[1/] Again, cases presented in this table are closed cases. It is difficult to fully analyze response rates of institution references because a majority were received just prior to the preparation of this report.

Despite the degree of apparent comprehension of data requests, responses received from applicants were often not in keeping with the instructions. Table 4.2 presents the distribution of responses from addressees' first written communications. The total of 108 reflects the fact that 9 cases were resolved after applicants either telephoned the validation contractor to supply information or third parties representing applicants undertook all validation communications. Of these 108 first responses, 42 percent (45 of 108) were not acceptable documentation or SER corrections. These cases required additional follow-up efforts. Prior enrollment cases, adjusted gross income cases other than step-parent cases, and zero/low income cases exhibited the best rates of providing acceptable responses on the first response (68.6 percent, 56.3 percent, and 71.4 percent, respectively).

The relatively high rate of responses other than acceptable documentation or SER corrections can be attributed to several factors. First, note that 23.1 percent of all first responses did not involve documentation or SER corrections. For the most part, these responses were from applicants informing the validation contractor of the special circumstances of their particular cases which they felt made them exceptions to Basic Grant regulations. Secondly, many SERs were submitted 1) without the applicant's signature, 2) with the wrong datum corrected and/or 3) with the datum in question improperly corrected. Finally 5 individuals submitted documentation on adjusted gross incomes that did not adequately address the issue of step-parent income (2 cases) or was not complete enough for the validation contractor to make a determination of the validity of SER information (3 cases).

Therefore, if a problem with validation procedures can be identified through the first applicant response stage, it may be described in terms of the initial letter requesting information not being clear:

TABLE 4.2

Distribution of First Responses by Reported Discrepancy Types

Response Type				Reported Discrepancy Types			
	Total % of column	Prior Enrollment % of column	AGI Step Parent % of column	AGI All Others % of column	Dependency Status % of column	Multiple Discrepancies % of column	Zero/low Income % of column	All Others % of column
Total	100.0 (N=108)	100.0 (N=35)	100.0 (N=6)	100.0 (N=16)	100.0 (N=4)	100.0 (N=17)	100.0 (N=21)	100.0 (N=9)
Acceptable Documentation	9.3 (N=10)	* (N=0)	* (N=0)	18.6 (N=3)	* (N=0)	5.9 (N=1)	23.8 (N=5)	11.1 (N=1)
Acceptable SIR Correction	49.0 (N=53)	68.6 (N=24)	16.7 (N=1)	37.5 (N=6)	25.0 (N=1)	47.0 (N=8)	47.6 (N=10)	33.3 (N=3)
Unacceptable Documentation	4.6 (N=5)	* (N=0)	33.3 (N=2)	6.3 (N=1)	25.0 (N=1)	5.9 (N=1)	* (N=0)	* (N=0)
Unacceptable SIR Correction	13.9 (N=15)	11.4 (N=4)	* (N=0)	18.6 (N=3)	* (N=0)	5.9 (N=1)	19.0 (N=4)	33.1 (N=3)
All other Responses	23.1 (N=25)	20.0 (N=7)	50.0 (N=3)	18.6 (N=3)	50.0 (N=2)	35.3 (N=6)	9.5 (N=2)	22.2 (N=2)

- Basic Grant policy concerning the information in question was not emphasized strongly enough
- Instructions for submitting SER corrections apparently were not attended to carefully

The length of the letter required to explain the nature of an alleged discrepancy and what procedures the applicant should undertake to clarify the issues in question made it difficult to effectively deal with these two potential problem areas. To thoroughly explain Basic Grant policy in detail in an initial request for information is impractical because too lengthy a letter will inundate the addressee with far too much information for him/her to process meaningfully. Response rates would suffer as a consequence. In addition, the second problem highlighted above is most likely a result of the fact the initial letter was already quite lengthy. In brief, future validation efforts may have to live with these two problems and deal with them as they arise.

Table 4.3 presents the nature of second responses from applicants. These are responses from the 45 applicants whose first responses did not result in case resolution. These letters were received after the validation contractor had explained to these individuals why their first responses were unacceptable. Of the 32 second responses received[1], 59.4 percent (19 of 32) were acceptable SER corrections or documentation materials. Of those responses which were still unacceptable, only 3 were responses other than attempts at SER corrections or SER documentation. Apparently, by the second correspondence cycle, almost all applicants (97.2%) understood why their SER information was in question

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[1] The reason a second response was not received from 13 individuals was because one case was closed as a result of a policy decision from the Office of Education and 12 had their SERs corrected by the validation contractor (with the applicant's full knowledge and permission).

TABLE 4.3

Distribution of Second Responses by Reported Discrepancy Types

Response Type	Reported Discrepancy Types							
	Total % of column	Prior Enrollment % of column	AGI Step Parent % of column	AGI All Others % of column	Dependency Status % of column	Multiple Discrepancies % of column	Zero/low Income % of column	All Others % of column
Total	100.0 (N=32)	100.0 (N=10)	100.0 (N=4)	100.0 (N=3)	100.0 (N=1)	100.0 (N=8)	100.0 (N=4)	100.0 (N=2)
Acceptable Documentation	3.1 (N=1)	* (N=0)	* (N=0)	* (N=0)	* (N=0)	12.5 (N=1)	* (N=0)	* (N=0)
Acceptable SER Correction	56.3 (N=18)	70.0 (N=7)	50.0 (N=2)	33.3 (N=1)	100.0 (N=1)	25.0 (N=2)	75.0 (N=3)	100.0 (N=2)
Unacceptable Documentation	36.3 (N=2)	* (N=0)	25.0 (N=1)	* (N=0)	* (N=0)	12.5 (N=1)	* (N=0)	* (N=0)
Unacceptable SER Correction	25.0 (N=8)	20.0 (N=2)	25.0 (N=1)	66.6 (N=2)	* (N=0)	25.0 (N=2)	25.0 (N=1)	* (N=0)
All other Responses	9.4 (N=3)	10.0 (N=1)	* (N=0)	* (N=0)	* (N=0)	25.0 (N=2)	* (N=0)	* (N=0)

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and how Basic Grant regulations applied to their particular circumstances. By the third correspondence cycle, the validation contractor received only one SER in error, one letter which still did not address the issue of SER validity, and 3 documentation responses in error. Therefore, after 3 correspondence cycles 105 of the 108 cases being considered had been successfully resolved.

Between correspondence cycles, numerous other communications took place between the validation contractor and the various applicants in order to ensure that to the greatest degree possible responses received from these applicants were correct and appropriate. Considering the 143 cases judged to be valid for follow-up, the validation contractor received and initiated 667 communications, or an average of 4.7 per case. A more specific breakdown of transaction types is presented in Table 4.4. Of all letters initiated by the validation contractor, step-parent cases, zero/low income cases, and multiple discrepancy cases required the most letters of all reported discrepancy types before resolution was obtained (3.5, 2.9, and 3.2 percent, respectively). In addition, step-parent cases also initiated the most letters to the validation contractor of any of the discrepancy groups (2.5). These data reaffirm the difficulty these discrepancy types, particularly step-parent cases, presented for the validation contractor. Table 4.4 also indicates that straightforward adjusted gross income errors required the least effort to resolve.

This same pattern is evidenced when a consideration is made of transactions conducted between the validation contractor and the referring institutions. This information is developed in Table 4.5 The total of 544 institution transactions is based upon the total of all 159 cases resolved at the time this report was prepared. Although the majority of all institution transactions involved form letters, overall, multiple discrepancy cases required a disproportionate number of institution transactions before resolution was obtained (an average of 4.5 communications per case referred). If consideration is only given to those

TABLE 4.4

Mean Number of Applicant/Parent Transactions by Discrepancy Type

Transaction Type	Reported Discrepancy Type							
	Total % of column	Prior Enrollment % of column	AGI Step Parent % of column	AGI All Others % of column	Dependency Status % of column	Multiple Discrepancies % of column	Zero/low Income % of column	All Others % of column
Total	4.7 (N=667)	4.1 (N=184)	7.5 (N=60)	3.6 (N=91)	4.5 (N=27)	5.5 (N=120)	5.4 (N=129)	4.3 (N=56)
Letters Initiated by Contractor	2.7 (N=383)	2.6 (N=118)	3.5 (N=18)	2.0 (N=50)	2.3 (N=14)	2.9 (N=64)	3.2 (N=76)	2.5 (N=33)
Certified Letters Initiated by Contractor	.3 (N=38)	.2 (N=9)	.6 (N=5)	.3 (N=8)	.2 (N=1)	.3 (N=6)	.3 (N=7)	.2 (N=2)
Letters Initiated by Applicant/Parent	1.1 (N=161)	1.1 (N=48)	2.5 (N=20)	.8 (N=20)	.8 (N=5)	1.4 (N=31)	1.1 (N=26)	.8 (N=11)
Phone Calls Initiated by Contractor	.3 (N=50)	.1 (N=5)	.4 (N=3)	.2 (N=6)	.8 (N=5)	.6 (N=13)	.5 (N=12)	.5 (N=6)
Phone Calls Initiated by Applicant/Parent	.2 (N=35)	.1 (N=4)	.5 (N=4)	.3 (N=7)	.3 (N=2)	.3 (N=6)	.3 (N=8)	.3 (N=4)

TABLE 4.5

Mean Number of Institution Transactions by Reported Discrepancy Type

Transaction Type	Total % of column	Prior Enrollment % of column	AGI Step Parent % of column	AGI All Others % of column	Dependency Status % of column	Multiple Discrepancies % of column	Zero/low Income % of column	All Others % of column
	Reported Discrepancy Type							
Total	3.4 (N=544)	3.3 (N=153)	3.6 (N=29)	3.2 (N=84)	3.1 (N=31)	4.5 (N=100)	3.4 (N=89)	3.2 (N=58)
Letters Initiated by Contractor	1.6 (N=262)	1.6 (N=73)	1.9 (N=15)	1.5 (N=40)	1.1 (N=11)	2.1 (N=47)	1.9 (N=50)	1.4 (N=26)
Letters Initiated by Institutions	1.0 (N=167)	1.0 (N=45)	1.4 (N=11)	1.0 (N=27)	1.0 (N=10)	1.3 (N=29)	1.0 (N=27)	1.0 (N=18)
Phone Calls Initiated by Contractor	.7 (N=111)	.7 (N=34)	.4 (N=3)	.6 (N=16)	.8 (N=8)	1.0 (N=24)	.5 (N=12)	.8 (N=14)
Phone Calls Initiated by Institutions	.03 (N=4)	.02 (N=1)	* (N=0)	.04 (N=1)	.2 (N=2)	* (N=0)	* (N=0)	* (N=0)

letters initiated by the validation contractor to the various institutions, then the pattern of Table 4.4 reemerges with step-parent cases, zero/low income cases, and multiple discrepancy cases requiring the highest average number of transactions (1.9, 1.9, and 2.1 percent, respectively). Although some of the most difficult cases to resolve involved dependency status errors and errors of prior enrollment, such cases required relatively moderate efforts to resolve. This is due in part to the fact that letters to applicants referred for these types of errors were given extremely high levels of attention and review in order to ensure that these letters explained as thoroughly as possible the nature of the issue in question and exactly what was expected of the applicant. Similar attention was also given to step-parent letters, but the nature of these cases was such that no degree of clarity or specificity of the initial data request or subsequent clarification communications could overcome applicant reluctance to accept Basic Grant regulations concerning their cases.

In summary, procedures used to conduct the Institution Referral Study were generally effective given the nature of the validation format and the nature of the types of Basic Grant misreporting encountered.

Counting transactions involving the Office of Education, more than 1200 individual telephone and correspondence transactions were undertaken resulting in an average of 7.7 communications per case resolved. The overwhelming majority of these communications was by letter (1017 or 83 percent). The sheer volume of these various communications meant that case turnaround was not as rapid as had been anticipated. However, most cases were successfully resolved through a definitive decision as to the presence or absence of SER errors and fewer than five applicants evidenced undue emotionalism during the validation process.

By any standards, these points must be considered indicators of the overall effectiveness of the validation effort. Any changes in the method of operation which might facilitate validation efforts relate not so much to the actual validation procedures implemented, but more to the timing when such procedures were initiated. Specific recommendations related to this issue have been made to the Office of Education and will be utilized in future validation efforts.

4.4: Pre-established Criteria Study Procedures

Although the basic procedures for conducting Pre-established Criteria validations were similar to those used in the Institution Referral Study, there were also some noteworthy variations. First, applicants selected for validation were not subjected to a withholding of their Basic Grant awards until validation procedures were concluded. Secondly, there was no documentation to support the assumption of an SER error unless the applicant supplied these materials himself. Finally, there was no reliable way to determine from a student's SER the school at which he/she was in attendance.

Each of these factors made the likelihood of respondent cooperation in the Pre-established Criteria Study much more problematic than in the Institution Referral Study. Consequently, follow-up procedures for Pre-established Criteria cases had one additional step. Also, the validation contractor established rather complex follow-up procedures for applicants who did not send materials in accordance with the Office of Education instructions. In brief, validation procedures for Pre-established Criteria cases required much more analysis and review than those used in the Institution Referral Study. Of particular concern to the Office of Education was the nature of responses received to requests for information and the ease of obtaining corrections in those cases with confirmed SER errors. Both these concerns are reflected in the following tables and text.

The validation contractor was relatively successful in establishing initial contact with applicants. Of the 1383 cases pursued, responses of one kind or another were obtained from 1092. Table 4.6 indicates the proportion of applicants contacted after

TABLE 4.6

Distribution of Initial and Follow-up Requests for Information by Aggregated Sampling Criteria

Initial and Follow-up Requests	Aggregated Sampling Criteria					
	Total % of column	Income Level By Family Size (1-4 Persons) % of column	Income Level By Family Size (5-6 Persons, Negative Income) % of column	Eligibility Index Changes or More Than 4 SER Transactions % of column	Family Size by Number in Post-secondary Schools % of column	Multiple Discrepancies % of Column
Total	100.0 (N=1383)	100.0 (N=163)	100.0 (N=327)	100.0 (N=594)	100.0 (N=250)	100.0 (N=49)
Initial Request	45.7 (N=362)	36.8 (N=60)	43.1 (N=141)	53.5 (N=318)	35.2 (N=88)	51.0 (N=25)
First Follow-up	23.7 (N=330)	19.6 (N=32)	21.7 (N=71)	25.1 (N=149)	25.2 (N=63)	30.6 (N=15)
Second Follow-up (certified letter)	9.3 (N=128)	13.5 (N=22)	8.9 (N=29)	6.9 (N=41)	12.0 (N=30)	12.2 (N=6)
Closed-Unable to contact applicant	8.2 (N=113)	17.2 (N=28)	9.2 (N=30)	4.4 (N=26)	11.2 (N=28)	2.0 (N=1)
Additional Follow-up (telephone)	13.0 (N=180)[a]	12.9 (N=21)[b]	17.1 (N=56)	10.1 (N=60)[c]	16.4 (N=41)	4.1 (N=2)
Total Responses	78.9 (N=1092)	70.6 (N=115)	73.7 (N=241)	85.7 (N=509)	72.4 (N=181)	93.9 (N=46)
Total Non-Responses With Contact	12.9 (N=178)[a]	12.3 (N=20)[b]	17.1 (N=56)	9.9 (N=59)[c]	16.4 (N=41)	4.1 (N=2)
Total Non-Responses Without Contact	8.2 (N=113)	17.2 (N=28)	9.2 (N=30)	4.4 (N=26)	11.2 (N=28)	2.0 (N=1)

a) difference reflects 2 cases contacted through telephone follow-up

b) difference reflects 1 case contacted through telephone follow-up

c) difference reflects 1 case contacted through telephone follow-up requests for initial information and the subsequent follow-ups to this request. This table is similar to Table 4.1 in that transaction categories are mutually exclusive. That is, the 632 applicants receiving an initial request received that request and nothing further. This would indicate that 632 applicants responded to the initial request for documentation supporting their SERs. Similarly, the 330 receiving a second reminder received only one follow-up before responding.

Table 4.6 indicates that 45.7 percent (632 of 1383) of all applicants responded to the first request and required no follow-up. Of the 751 non-respondents to this initial request, 43.9 percent responded to the first follow-up (331 of 751). Certified follow-ups were sent to the remaining 421 non-respondents. Response to the certified follow-up totaled 128 individuals, or 30 percent of all remaining non-respondents (128 of 421). Of the 291 individuals from whom no response was received after the certified follow-up, 113 were closed because the validation contractor could not establish a valid address for further follow-up efforts. The remaining 180 cases were subjected to a telephone follow-up that netted only 2 additional respondents before outstanding cases were closed for report preparation.1/

In summary, then, of the 1092 responses (78.9 percent of all applications selected), 57.9 percent were received without follow-up (632 of 1092); another 30.2 percent were obtained with only one follow-up (330 of 1092); 11.7 percent were obtained after a second follow-up (128 of 1092) and a mere .2 percent resulted from additional telephone follow-up (2 of 1092).

1/ Of these 180 cases, telephone numbers could not be obtained for almost 80 percent (unlisted numbers, no person listed by the names available, etc.). Of those for which a number was obtained the validation contractor made at least two attempts to contact the applicants. In many cases, the telephone was never answered; in others, a family member/friend was contacted but no response or further communication was forthcoming from the applicant.

In terms of differences in response patterns by specific sampling groups, those groups with the higher rates of confirmed SER errors generally had the highest rates of response to the initial request for information as well as the highest overall rate of response. Those individuals selected because of 1) multiple SER corrections resulting in Basic Grant eligibility and/or a reduced Student Eligibility Index and 2) multiple discrepancies had response rates of 53.5 percent and 51 percent, respectively, to the initial request for data and overall response rates of 85.7 percent and 93.9 percent, respectively. None of the other three aggregated sampling groups even approaches these response rates.

As anticipated, obtaining information from respondents in the Pre-established Criteria Study was considerably more difficult than in the Institution Referral Study. Table 4.6 shows that most responses to requests for information came within one follow-up to the initial data request. Response rates subsequent to the first follow-up were poor. The anticipated impact of the certified second follow-up did not occur and telephone efforts proved extremely ineffective. Recommendations for revising the follow-up procedures for future validation efforts have been submitted to the Office of Education. These recommendations concern the timing of the *initial* request for information as well as the stage of the validation process at which certified reminders might be more effective.

The next phase of the procedures evaluation is an analysis of the types and quality of responses received. Data are based on the total number of Pre-established Criteria Study *respondents* rather than cases sampled. Tables 4.7, 4.8, and 4.9 indicate the nature of all first, second, and third letters received from respondents, respectively.

First letters (Table 4.7) were in response to the initial request for information. Most applicants sent materials to *support* the information on their most recent SERs. Over 83 percent of all first letters included documentation of one form or another. Clearly,

TABLE 4.7

Distribution of First Responses by Aggregated Sampling Criteria

Response Type		Aggregated Sampling Criteria				
	Total % of column	Income Level By Family Size (1-4 Persons) % of column	Income Level By Family Size (5-6 Persons, Negative Income) % of column	Eligibility Index Changes or More Than 4 SER Transactions % of column	Family Size by Number in Post-secondary Schools % of column	Multiple Discrepancies % of column
Total	100.0 (N=1092)	100.0 (N=115)	100.0 (N=241)	100.0 (N=509)	100.0 (N=181)	100.0 (N=46)
Acceptable Documentation	39.5 (N=431)	42.6 (N=49)	42.7 (N=103)	44.2 (N=225)	23.8 (N=43)	23.9 (N=11)
Acceptable and Correction	3.2 (N=35)	2.6 (N=3)	3.7 (N=69)	3.1 (N=16)	3.3 (N=6)	2.2 (N=1)
Unacceptable Documentation	43.7 (N=477)	34.8 (N=40)	39.8 (N=96)	40.5 (N=206)	59.1 (N=107)	60.9 (N=28)
Unacceptable and Correction	5.3 (N=58)	7.0 (N=8)	2.0 (N=5)	5.5 (N=28)	7.7 (N=14)	6.5 (N=3)
All Other Responses	8.3 (N=91)	13.0 (N=15)	11.6 (N=28)	6.7 (N=34)	6.0 (N=11)	6.5 (N=3)

though, most applicants supplying supporting documentation did not review their SERs before submitting their materials. Of the 908 documentation responses, 477 provided information at variance with that indicated on the applicants' SERs. Only 93 applicants submitted SER corrections, and of this number, 58 (62.4 percent) were not corrected properly. In brief, first responses to the initial request for information were not as useful as had been anticipated. Six hundred twenty-six (626) of these responses required additional contact in order to obtain the required SER corrections or documentation.

Of these 626 cases, second responses were obtained from 472 [1] (Table 4.8). Second responses show clear distinctions from those received on the first round. Most striking is the drop in the relative frequency of applicants supplying documentation which correctly supported their SER information. Only 9.3 percent of all second responses were of this type compared to 39.5 percent of all first responses. The obvious interpretation is that those applicants who had a good understanding of the validation effort and were confident that their SER information was accurate only needed to provide one communication to the validation contractor in order to satisfy the validation requirements. This fact may be also interpreted to indicate that despite the difficulties the validation contractor encountered in achieving closure on many Pre-established Criteria Study, the initial request for information was phrased well enough to communicate the validation requirements for those individuals who took the time to thoroughly read the letter containing the initial request for information and had nothing to conceal from the Office of Education.

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[1] This does not indicate that the remaining 154 cases were unresolved. Some of these individuals had their SERs corrected by the validation contractor and others were closed by OE decision. In these cases, no second request was required.

TABLE 4.8

Distribution of Second Responses by Aggregated Sampling Criteria

Response Type			Aggregated Sampling Criteria			
	Total % of column	Income Level By Family Size (1-4 Persons) % of column	Income Level By Family Size (5-6 Persons, Negative Income) % of column	Eligibility Index Changes or More Than 4 SER Transactions % of column	Family Size by Number in Post-secondary Schools % of column	Multiple Discrepancies % of column
Total	100.0 (N=472)	100.0 (N=43)	100.0 (N=83)	100.0 (N=215)	100.0 (N=101)	100.0 (N=30)
Acceptable Documentation	9.3 (N=44)	16.3 (N=7)	9.6 (N=8)	10.7 (N=23)	1.0 (N=1)	6.7 (N=2)
Acceptable SER Correction	35.0 (N=165)	32.6 (N=14)	30.1 (N=25)	34.9 (N=75)	36.6 (N=37)	36.7 (N=11)
Unacceptable Documentation	19.3 (N=91)	16.3 (N=7)	21.7 (N=18)	18.6 (N=40)	18.8 (N=19)	23.3 (N=7)
Unacceptable SER Correction	23.5 (N=111)	20.9 (N=9)	24.0 (N=20)	26.0 (N=56)	21.8 (N=22)	13.3 (N=4)
All Other Responses	12.9 (N=61)	14.0 (N=6)	14.5 (N=12)	9.8 (N=21)	18.8 (N=19)	10.0 (N=3)

The disturbing point made by Table 4.8 is that despite efforts by the validation contractor to explain in detail the problems with unacceptable first responses, almost 43 percent of all second responses were either improperly corrected SERs and/or documentation which was still at variance with SER information on file. Most of these responses, of course, required further contact to again explain to the applicants the reasons why their responses could not be accepted.

The third cycle of applicant responses (Table 4.9) indicates that for the most part applicants were no longer involved in efforts to supply documentation supporting their SERs. By the time applicants submitted a third response, the validation contractor was dealing primarily with SER corrections. Over 75 percent of all third responses were SER corrections. However, of the SERs submitted, 27.6 percent were not corrected properly (24 of 87 corrections processed). In part, this continuing problem of incorrect and unacceptable responses was related to the fact that cases in the third response cycle tended to be very complicated. That is, errors were discovered in a number of SER entries and explaining why each entry required correction often appeared to overwhelm respondents. Consequently, corrections were submitted in which one or two SER entries were corrected properly, but other erroneous entries remain unchanged. This was one of the most frustrating issues the validation contractor and the Office of Education had to manage in the course of the validation effort. The validation contractor generally had hard evidence (e.g., tax forms, wage statements, etc.) as to what information should be entered in applicants' SERs but was unable to make corrections without full knowledge and acknowledgement of the applicants.

Efforts to deal with this problem included telephone contacts to applicants who had submitted improperly corrected but signed[1]

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[1] Corrections could not be processed without the applicants' signature.

TABLE 4.9

Distribution of Third Responses by Aggregated Sampling Criteria

Response 6.29				Aggregated Sampling Criteria		
	Total % of column	Income Level By Family Size (1-4 Persons) % of column	Income Level By Family Size (5-6 Persons, Negative Income) % of column	Eligibility Index Changes or More Than 4 SER Transactions % of column	Family Size by Number in Post-secondary Schools % of column	Multiple Discrepancies % of column
Total	100.0 (N=115)	100.0 (N=6)	100.0 (N=16)	100.0 (N=56)	100.0 (N=28)	100.0 (N=9)
Acceptable Documentation	3.5 (N=4)	16.6 (N=1)	* (N=0)	5.4 (N=3)	* (N=0)	* (N=0)
Acceptable SER Correction	54.8 (N=63)	50.0 (N=3)	56.3 (N=9)	58.9 (N=33)	50.0 (N=14)	11.1 (N=1)
Unacceptable Documentation	6.9 (N=8)	16.6 (N=1)	12.5 (N=2)	3.6 (N=2)	* (N=0)	66.7 (N=[illegible])
Unacceptable SER Correction	20.9 (N=24)	16.6 (N=1)	25.0 (N=4)	17.9 (N=10)	28.6 (N=8)	11.1 (N=1)
All Other Responses	13.9 (N=16)	* (N=0)	6.3 (N=1)	14.3 (N=8)	21.4 (N=6)	11.1 (N=1)

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SERs. The validation staff explained the nature of the corrections required and asked the applicant for permission to make the necessary changes. This procedure resulted in 112 properly corrected SERs with a minimal amount of difficulty. Only 2 individuals refused to allow the validation contractor to correct their SERs.

For those improperly corrected SERs submitted without signatures and for the many applicants supplying unacceptable documentation, the validation contractor instituted the following procedures. First, a letter was written explaining the reasons why the applicant's response was unacceptable. This explanation referred to data items on the applicant's SER that did not correspond to documentation made available to the validation contractor. Included with this letter was a copy of the documentation with the items in question circled in red. Applicants were also sent a copy of their latest SER on which corrections could be made. Every step was taken to provide the applicants with the information, materials, and instructions necessary to make all required SER corrections. Four hundred forty-nine (449) applicants were contacted in this way.

Results of this procedure were mixed. Of the 449 persons contacted in this manner, only 188 (41.9%) responded without any follow-up effort. In fact, 84 cases (18.7%) required two or more follow-ups before they were closed as cases "timed out." On the other hand, of the 365 people who did submit corrections in response to this procedure, only 30 (8.2%) still submitted SERs or documentation in error. Thus while the communication of the requests for corrections was excellent, the ability of the contractor to elicit a response was relatively weak. Much time was spent trying to obtain changes that the validation contractor had concrete evidence to support. The inevitable consequence was that case "turn-around time" was much slower than had been expected. In some cases, this undoubtedly meant hardship for applicants who eventually had to have their Basic Grant awards adjusted near the end of the 1975-76 academic year. Although the Office of Education and the validation contractor were constrained from obtaining corrected SERs in any manner other than that described during the concluded validation project, consideration is being made of ways to expedite the "request for corrections" process for future validation efforts.

Response Rates by Selected Applicant Characteristics

Throughout the presentation of results of the Individual Validation Studies, data have been presented which investigate the relation of Basic Grant misreporting as a function of an applicant's dependency status and income level. Although no specific statistics were developed to examine the relationship of these two variables to responses received in the Institution Referral and Pre-Established Criteria Studies, the following general observations should be pointed out.

In the Institution Referral Study Basic Grant applicants were not distinguishable by income level or dependency status in terms of the ease with which responses were obtained. However, independent cases were clearly more difficult to resolve. That is, independent students were more likely to submit unacceptable responses than their dependent counterparts. Because most independent students were also low income applicants, there was a tendency for low income individuals to submit unacceptable responses more often than higher income applicants (income over $6,000). However, controlling for dependency status, income level did not in and of itself predict the quality of response.

In the Pre-established Criteria Study, on the other hand, income level was a factor in response patterns. First of all, most non-respondents were low income applicants (under $4,000). Dependent low income applicants were less responsive than low income independent students. Among those individuals actually responding, low income applicants (under $4,000) and independent applicants proved to be substantially more difficult to resolve satisfactorily than moderate to high income applicants and dependent students, respectively. The best quality responses came from moderate to high income (income ranges over $6,000) dependent applicants with fewer than 6 members in the household.

The Issue of Acceptable Documentation

The text and tables presented above have discussed at some length the efforts involved in obtaining responses from Pre-established Criteria cases and the types of responses received. One category of these responses merits special consideration and this concerns so-called "acceptable documentation" responses. The initial request for data asked applicants to supply notarized copies of their federal tax and W-2 forms. Of the 1092 applicants who responded to the initial request for information (or one of its follow-ups), 182 (17.3%) submitted notarized tax and W-2 forms. Another 20 individuals submitted alternative notarized statements (welfare benefit statements, State tax forms, etc.). Therefore, it is clear that during the course of the validation effort, the Office of Education and the validation contractor relaxed the initial standards as to what would constitute "acceptable documentation." While a claim can be made that the letter making the initial request for information was relatively well understood by many applicants, there was a group of applicants who either did not understand the request or chose to ignore its specifics. To further illustrate this point, consider that of the applicants submitting what they thought was acceptable documentation in support of their SERs, 90 submitted W-2 forms only. This represented 10 percent of all first documentation responses. Another 243 submitted nothing but letters specifying the amount and sources of income received during 1974 (the year of interest in the present validation). This represented approximately 25-26 percent of all documentation responses received. In some cases, of course, individuals in this latter group had no tax or W-2 forms to provide.

Finally, 280 tax forms were received without notarization. These data demonstrate that requesting notarized tax and W-2 forms was only marginally successful and that the term "acceptable documentation" used in Tables 4.7-4.9 reflects materials received not strictly in keeping with the definition of acceptability discussed in Chapter 3.[1/] However, it is the conclusion of the validation contractor that while the insistence upon notarized documentation may have led some applicants to submit data they might otherwise have misreported, overall, notarization per se did not seem to affect the validity of the information received. Notarization was not associated with quality of response.

Distribution of Pre-established Criteria Transaction Types

Almost all transactions conducted in the Pre-established Criteria Study were between the validation contractor and the applicants (or their parents) selected for validation. In total, there were 7,858 such transactions. Table 4.10 presents a breakdown of these transactions by the mode and destination of the communications. Data are presented in terms of absolute frequencies and mean number of transactions. Means are based on the total number of applicants selected for validation (1383). Overall, the data in Table 4.10 reveal very few noteworthy distinctions in terms of transaction types across sampling groups. Only in terms of letters initiated by the validation contractor do divergences appear. Applicants selected because of the large number of family numbers reported attending postsecondary schools and applicants selected because they appeared in all four major discrepancy groups averaged 3.9 and 4.5 letters from the validation contractor, respectively. This is not unexpected given the fact that these two groups had high rates of SER errors and, particularly in the latter group, these cases were often quite complicated.

[1/] Not all the responses indicated in this section were actually deemed "acceptable." However, data are not readily available to indicate which of the 90 applicants submitting only W-2 forms were considered acceptable and which were not. This also applies to those supplying only letters and those supplying unnotarized tax forms.

TABLE 4.10

Mean Number of Parent/Applicant Transactions by Aggregated Sampling Criteria

Transaction Type	Aggregated Sampling Criteria Total	Income Level By Family Size (1-4 Persons)	Income Level By Family Size (5-6 Persons, Negative Income)	Eligibility Index Changes or More Than 4 SER Transactions	Family Size by Number in Post-secondary Schools	Multiple Discrepancies
Total	5.7 (N=7858)	5.3 (N=864)	5.2 (N=1696)	5.7 (N=3382)	5.7 (N=1563)	7.2 (N=353)
Letters Initiated by Contractor	3.5 (N=4830)	3.2 (N=522)	3.2 (N=1053)	3.5 (N=2065)	3.9 (N=970)	1.5 (N=220)
Letters Initiated by Applicant/Parent	1.2 (N=1703)	1.0 (N=168)	31.1 (N=344)	1.3 (N=786)	1.3 (N=319)	1.8 (N=86)
Phone Calls Initiated by Contractor	.2 (N=224)	.1 (N=21)	.1 (N=44)	.2 (N=100)	.2 (N=52)	.1 (N=7)
Phone Calls Initiated by Applicant/Parent	.5 (N=672)	.5 (N=82)	.4 (N=141)	.5 (N=301)	.5 (N=120)	.6 (N=28)
Certified Letters Initiated by Contractor	.3 (N=429)	.4 (N=71)	.3 (N=114)	.2 (N=130)	.4 (N=102)	.2 (N=12)

In retrospect, the Pre-established Criteria Study encountered more difficulty than anticipated in obtaining supporting documentation and SER corrections. However, it should be noted that the overwhelming majority of individuals responding to the validation effort were cordial and, to the extent they understood what was being asked of them, cooperative. There were only two instances of abusive language used over the telephone and perhaps five letters which could be classified as hostile and/or emotional. In this respect, the validation effort proceded more smoothly than anticipated.

Finally, financial aid officers contacted during the course of the project were most cooperative. To the extent that corrected SERs resulted in a more accurate and fair allocation of Basic Grant funds, financial aid officers deserve a considerable amount of the credit. The validation contractor received no complaints from the financial aid community about the late date at which many SER corrections were submitted for adjustment purposes.

Chapter Summary

The validation contractor initiated or received over 10,000 written/telephone communications in conducting the two Individual Validation Studies. Analysis of the type and quality of these communications revealed the following points:

- In general, the procedures outlined to conduct the Institution Referral Study were relatively effective. Of the cases considered in the procedural analysis, 82 percent had responded to data requests by the conclusion of the first follow-up request.
- First responses received by the validation contractor in the Institution Referral Study were generally poor. Forty-two percent were unacceptable. Reasons for this were generally not under the control of the validation contractor; rather the problems seemed to be inherent in the nature of the validation effort itself. That is, descriptions of alleged SER errors, procedures for correcting SER errors and the relevance of Basic Grant policies to the issues in question made letters too long to be comprehended and/or attended to by respondents. However, to shorten these letters would undoubtedly worsen the quality of responses because insufficient information would have been available for the applicant to react to.

- Within three correspondence cycles 97.2 percent of all Institution Referral cases under consideration had been resolved.
- Other than the length of the initial letter requesting information concerning alleged SER discrepancies, the basic problem with the Institution Referral Validation procedures was one of timing. The earlier referrals were received in the academic year, the better the quality of the validation effort.
- Responses were obtained from 1092 Pre-established Criteria cases. Most of these came after the initial request for data or the first follow-up letter. Response to the second (certified) follow-up was generally poor. Response to additional telephone follow-up was extremely poor. Of 180 non-respondents undergoing telephone follow-ups, written responses were obtained from only two applicants.
- First responses received during the Pre-established Criteria Study generally were attempts to provide documentation supporting SER data. Few SER corrections were received. Most applicants supplying acceptable documentation did so on their first response.
- Second responses received during the Pre-established Criteria Study were generally attempts to correct SERs. However, many of these corrections (40%) were unacceptable.
- Procedures utilized to obtain acceptable SER corrections from those initially submitting erroneous corrections were generally successful. Only 8.2 percent of those responding to instructions to correct unacceptable SERs resubmitted erroneous reports. However, difficulty was encountered in getting applicants to respond to these requests for corrections.
- Few applicants supplied notarized tax forms and W-2 statements as supporting documentation in either of the Individual Validation Studies. Consequently, the Office of Education and the validation contractor expanded the criteria as to what constituted "acceptable documentation" during the course of the project.
- In general, applicants contacted in both Individual Validation Studies were cooperative once they understood the nature of documentation requests and/or the reasons their SERs were in error. Few applicants were hostile or resentful of validation efforts.
- Assistance received from the financial aid community in conducting both Individual Validation Studies was outstanding.